As filed with the SEC on November 27, 2002

File No. 70-10084

United States Securities and Exchange Commission
Washington, D.C. 20549

Pre-Effective Amendment No. 2 to Form U-1
Application/Declaration
Under the
Public Utility Holding Company Act of 1935

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Concord, NH 03301

Exeter & Hampton Electric Company
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TABLE OF CONTENTS

This Pre-Effective Amendment No. 2 amends and restates the Application-Declaration previously filed on August 30, 2002 and October 17, 2002 as follows:

Item 1. Description of the Proposed Transaction

A. Introduction

This Application-Declaration ("Application") seeks approvals relating to the proposed merger (the "Merger") of Concord Electric Company ("CECo") and Exeter & Hampton Electric Company ("E&H"), the two New Hampshire retail electric utility subsidiaries of Unitil Corporation ("Unitil", and together with CECo and E&H, the "Applicants"), a registered public utility holding company. Applicants propose that upon receipt of all the necessary regulatory approvals, E&H will merge with and into CECo to form a single retail electric utility subsidiary of Unitil, under the new name of Unitil Energy Systems, Inc. ("UES").

The Merger is one of the elements of the Unitil system restructuring proposal before the New Hampshire Public Utilities Commission ("NHPUC"), which was adopted pursuant to and as required by the New Hampshire Electricity Restructuring Law, codified at RSA 374-F. Unitil's restructuring proposal contains four principal elements: (l) the merger of CECo and E&H into a single distribution company, UES, that will be subject to the jurisdiction of the NHPUC; (2) divestiture of the power supply portfolio of Unitil Power Corp., Unitil's power supply subsidiary, and the solicitation and acquisition by UES of replacement sources of energy necessary for it to meet its obligation to provide transition service and default service to its retail customers; (3) implementation by UES of new unbundled rates to be approved by the NHPUC that reflect the Merger and the implementation of the restructuring requirements of New Hampshire RSA374-F; and (4) introduction of customer choice for UES's New Hampshire customers.

On October 18, 2002, the Commission issued a notice of the filing of the Application-Declaration in this proceeding and an order authorizing the Applicants to solicit proxies from the holders of the outstanding shares of E&H's preferred stock (the "Solicitation"), in favor of the Merger and related transactions and the solicitation of consents from bondholders of E&H and CECo in connection with a proposed indenture amendment.

B. General Request

Applicants request authorization under Sections 9(a)(2) and 10 of the Act to effect the Merger. Applicants request authorization to amend and combine CECo's and E&H's debt indentures into a single UES indenture and revise the existing authorization for the Unitil system money pool, in each case to reflect the Merger. The proposed form of amended indenture for UES is included in Exhibit B-3 hereto.

C. Background

In 1984, Unitil was formed through a statutory share exchange under New Hampshire law as a result of which CECo and E&H became subsidiaries of Unitil. At that time, Unitil Power Corp. ("UPC") and Unitil Service Corp. ("USC") were also formed as subsidiaries of Unitil. Fitchburg Gas and Electric Light Company ("FG&E"), a Massachusetts combination gas and electric utility, became a subsidiary of Unitil in 1992 as a result of a merger of a subsidiary of Unitil into FG&E. As a result of this transaction, Unitil became a registered holding company under the Act.

CECo is a public utility company within the meaning of the Act. CECo is engaged in the transmission and distribution of electric energy at regulated rates to approximately 28,000 customers in Concord and the capital region of New Hampshire. CECo is regulated as a public utility in New Hampshire. As of June 30, 2002, CECo reported net utility plant of $37,417,000 and operating revenues for the 12 months ended June 30, 2002 of $52,263,000.

E&H is a public utility company within the meaning of the Act. E&H is engaged in the transmission and distribution of electric energy at regulated rates to approximately 41,000 customers in Exeter and the seacoast region of New Hampshire. E&H is regulated as a public utility by the New Hampshire Public Utilities Commission. As of June 30, 2002, E&H reported net utility plant of $43,221,000 and operating revenues for the 12 months ended June 30, 2002 of $58,053,000.

While the utility operations of CECo and E&H are administered and coordinated through Unitil's centralized service company, USC, and each company has, since 1986, secured all of its requirements for electric energy from UPC, the companies have different retail tariffs,

rates and rate bases. The Merger will result in a new unified rate structure and a single rate base, and the elimination of any inefficiencies and duplicative costs resulting from the operation of the companies as two separate entities.

D. Summary of the Proposed Transaction

To accomplish the Merger, the companies entered into a Merger Agreement that has been approved by their respective boards of directors. Consummation of the transactions contemplated by the Merger Agreement will be subject to the receipt of all necessary regulatory approvals and to the approval of the shareholders of each company. Under the terms of the Merger Agreement, E&H will be merged with and into CECo with CECo as the surviving corporation. In connection with the Merger, CECo will change its name to Unitil Energy Systems, Inc. ("UES"). As a result of the Merger, all of E&H's assets and liabilities will, by operation of law, become the assets and liabilities of CECo.

1. Description of Outstanding Equity Securities of CECo and E&H.

CECo currently has 250,000 authorized shares of common stock (the "CECo Common Stock"), of which 131,745 shares are issued and outstanding and owned both of record and beneficially by Unitil; 2,250 authorized shares of non-cumulative preferred stock (the "CECo Non-Cumulative Preferred Stock"), all of which are issued and outstanding and none of which is owned, of record or beneficially, by Unitil; and 15,000 authorized shares of cumulative preferred stock (the "CECo Cumulative Preferred Stock"), of which 2,150 shares are issued and outstanding in a single series designated the "8.70% Series," none of which is owned, of record or beneficially, by Unitil. The CECo Non-Cumulative Preferred Stock is entitled to vote on all matters brought before the shareholders of CECo together with the CECo Common Stock, with each outstanding share entitled to one vote. The CECo Non-Cumulative Preferred Stock is not entitled to vote as a separate class. The CECo Cumulative Preferred Stock is not entitled to vote on any matter, except as may otherwise be authorized or required by the Business Corporation Act. Under the Business Corporation Act, the CECo Cumulative Preferred Stock is not entitled to vote on the Merger and related transactions.

E&H currently has 197,417 authorized shares of common stock (the "E&H Common Stock"), of which 195,000 shares are issued and outstanding and owned both of record and beneficially by Unitil; and 25,000 authorized shares of cumulative preferred stock (the

"E&H Cumulative Preferred Stock"), of which a total of 9,704 shares are issued and outstanding in four series as follows: 840 shares of the "5% Dividend Series", 1,680 shares of the "6% Dividend Series", 3,331 shares of the "8.75% Dividend Series" and 3,853 shares of the "8.25% Dividend Series". None of the E&H Cumulative Preferred Stock is owned, of record or beneficially, by Unitil. The E&H Cumulative Preferred Stock is not entitled to vote as a separate class, unless such a class vote is otherwise authorized or required by the Business Corporation Act. Under the Business Corporation Act, each series of the E&H Cumulative Preferred Stock is entitled to vote as a separate class on the proposed Merger with CECo, since, as described below, the terms of the Merger Agreement provide for the issuance to the holders of the E&H Cumulative Preferred Stock in exchange for their shares of E&H Cumulative Preferred Stock of an equal number of shares of CECo Cumulative Preferred Stock in four new series which will have the same terms and conditions as the existing series of the E&H Cumulative Preferred Stock for which they will be exchanged.

The authorized and unissued shares of CECo Cumulative Preferred Stock may be issued in series by CECo from time to time upon authorization of its board of directors, with the terms of each new series to be approved by the vote of two-thirds of the outstanding shares of CECo Common Stock and CECo Non-Cumulative Preferred Stock.

As part of the approval of the Merger Agreement, the board of directors of CECo and the holders of the CECo Common Stock and CECo Non-Cumulative Preferred Stock also approved an amendment to the CECo Articles of Incorporation creating the four new series of CECo Cumulative Preferred Stock to be issued in the Merger to the holders of the E&H Cumulative Preferred Stock. As previously noted, these four new series will have the same terms as the four series of E&H Cumulative Preferred Stock for which they will be exchanged.

2. Terms of the Merger Agreement.

Pursuant to the Merger Agreement, upon the effectiveness of the Merger, all of the issued and outstanding shares of E&H Common Stock will be converted into a single share of CECo Common Stock, and each share of E&H Cumulative Preferred Stock will be converted into a share of a new series of CECo Cumulative Preferred Stock, each such new series of CECo Cumulative Preferred Stock to have the same terms and conditions as the existing series of the E&H Cumulative Preferred Stock for which they will be exchanged. The shares of CECo

Common Stock, CECo Non-Cumulative Preferred Stock and CECo Cumulative Preferred Stock issued and outstanding immediately prior to the Merger will remain outstanding and will not be affected by the Merger.

3. Amendments to Debt Indentures

E&H is party to an Indenture of Mortgage and Deed of Trust dated as of December 1, 1952 (the "E&H Indenture"), and CECo is party to an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (the "CECo Indenture"). There are currently three series of bonds outstanding under each of the E&H Indenture and the CECo Indenture.

While CECo and E&H could accomplish the Merger without combining the two indentures, which requires the consent of bondholders under the CECo Indenture and the E&H Indenture, doing so would result in the surviving company having to administer two separate indentures with somewhat differing provisions. Accordingly, in connection with the Merger, CECo and E&H are proposing to combine, amend and restate the E&H Indenture and the CECo Indenture into a single Indenture under which all of the currently outstanding bonds of E&H and CECo would remain outstanding. Bondholders under the new Indenture would be secured ratably in all of the real property assets of UES on the same terms on which they are currently secured in the real property assets of CECo and E&H.

The consent of each bondholder under the E&H Indenture and the CECo Indenture will be necessary to accomplish the proposed combination, amendment and restatement of the two Indentures. Pursuant to the Commission's order dated October 18, 2002, Applicants received authorization to seek such consent to the extent required under Rule 62 of the Act.

While the CECo Indenture and the E&H Indenture are largely identical instruments, there are differences between them. As part of the combination, amendment and restatement process, CECo and E&H propose to conform the provisions of the Indentures. Any special provisions applicable to the separate series of bonds under each Indenture which are contained in the Supplemental Indentures pursuant to which those series were issued will be preserved in the combination, amendment and restatement of the two Indentures. The proposed combination, amendment and restatement will not effect any material economic change in the

provisions applicable to the bonds or any series thereof, such as their respective rates of interest, maturities, amounts outstanding or redemption features.

However, in the process of amending, restating and combining the two Indentures, there are certain differences which the companies are proposing to conform the Indentures. The following list summarizes the only material differences between the two Indentures, and the manner in which the differences are proposed to be resolved:

a. Section 4.04 of each Indenture contains a test governing the issuance of additional bonds under the Indenture, based upon a calculation of "Net Bondable Expenditures" for property additions. The E&H Indenture currently permits the issuance of additional bonds to the extent of 60% of Net Bondable Expenditures for property additions, while the Concord Indenture permits the issuance of additional bonds to the extent of 68% of Net Bondable Expenditures for property additions. The Applicants are proposing that to use the 68% test in the amended and restated Indenture.

b. Section 6.01 of each of Indenture contains a test for the issuance of bonds against cash deposits, which is based on a multiple of earnings available for interest charges. The multiple in the case of the E&H Indenture is 2; and in the case of the Concord Indenture it is 2 1/2. The Applicants are proposing that the amended and restated Indenture use a multiple of 2 in this provision. It should be noted that neither company has ever issued bonds under this provision.

c. Section 10.04A of each Indenture permits the release of property from the lien of the Indenture under certain circumstances, including an annual exemption for non-utility property having a value of not more than $150,000. The Applicants are proposing to increase this amount to $350,000 in the amended and restated Indenture.

d. Rather than being secured in the separate property of CECo and E&H, the CECo and E&H bondholders will be secured ratably in all of the property of the combined entity upon the effectiveness of the Merger and the amendment and restatement of the two Indentures into a single Indenture.

As previously noted, the existing holders of outstanding bonds issued by E&H and CECo must consent to the amended and restated Indenture in accordance with the terms of the respective Indentures governing their bonds.

The holders of the bonds outstanding under both the CECo Indenture and E&H Indenture have executed consents to the Merger of E&H into CECo, and the assumption by CECo of the E&H Indenture upon consummation of the Merger. They have also agreed to the amendment, restatement and combination of the E&H Indenture and CECo Indenture into a single indenture pursuant to which all of the bonds will remain outstanding, pending completion of definitive documentation for such amendment, restatement and combination. It is anticipated that the closing of the amendment, restatement and combination of the E&H and CECo Indentures will occur prior to December 31, 2002, but subsequent to the effective date of the Merger.

4. Boards of Directors and Shareholder Approvals.

The Merger Agreement and the transactions contemplated thereby are subject to the approval of the boards of directors of each of CECo and E&H, which was obtained on June 20, 2002 and September 27, 2002. In addition, the Merger Agreement and related amendments to CECo's Articles of Incorporation are subject to the approval of the holders of the CECo Common Stock and the CECo Non-Cumulative Preferred Stock, voting together as a single class, and to the approval of the E&H Common Stock and each series of the E&H Cumulative Preferred Stock, each voting as a separate class. Because Unitil effectively controls the boards of directors of each of E&H and CECo as the result of its ownership of all of the issued and outstanding shares of common stock of each company, the approval of the Merger Agreement and related amendments to CECo's Articles of Incorporation by those boards of directors was assured. The approval of the holders of the CECo Common Stock and the CECo Non-Cumulative Preferred Stock of the Merger Agreement and related amendments to CECo's Articles of Incorporation was also assured, since Unitil controls the vote of more than 99% of all such shares. At a duly called meeting held on November 27, 2002, the CECo Common Stock and the CECo Non-Cumulative Preferred Stock approved the Merger Agreement and related amendments to CECo's Articles of Incorporation.

The approval of the Merger Agreement by the holders of the E&H Common Stock was assured, since Unitil controls the vote of all of such shares, and was obtained. Unitil does not, however, control the vote of any outstanding series of the E&H Cumulative Preferred Stock. Unitil solicited written consents in favor of the Merger Agreement and related transactions from the holders of each outstanding series of the E&H Cumulative Preferred Stock pursuant to the Solicitation. Because neither E&H nor any series of its capital stock is registered under the Securities Exchange Act of 1934, the Solicitation was subject only to the requirements of New Hampshire law and the terms of E&H's governance documents. Under Section 7.04 of the New Hampshire Business Corporation Act (RSA 293-A:7.04), the E&H Cumulative Preferred Stock can take action by unanimous written consent. Such action would also be consistent with the terms of E&H's governance documents. E&H has the right to call each outstanding series for redemption pursuant to the terms of each such series and Unitil currently intends to cause E&H

to redeem the shares of any series which does not consent to the Merger Agreement and related transactions in accordance with the terms of Rule 42 of the Act. Each holder of the 8.75% Dividend Series and the 8.25% Dividend Series executed a written consent in favor of the Merger Agreement and related transactions effective November 1, 2002. The 5% Dividend Series and 6% Dividend Series were redeemed.

5. Tax and Accounting Consequences of the Merger.

The Merger has been structured to qualify for tax purposes as a tax-free "reorganization" under Section 368(a) of the Internal Revenue Code. As a result, no gain or loss will be recognized by CECo or E&H or the holders of the CECo Common Stock, the CECo Non-Cumulative Preferred Stock, the CECo Cumulative Preferred Stock, the E&H Common Stock or the E&H Cumulative Preferred Stock. CECo and E&H expect that the Merger will qualify as a common control merger for accounting and financial reporting purposes. The accounting for a common control merger is similar to a pooling of interests. Under this accounting treatment, the combination of the ownership interests of the two companies is recognized and the recorded assets, liabilities, and capital accounts are carried forward at existing historical balances to the consolidated financial statements of UES (as the surviving company) following the Merger.

On a pro forma basis, giving effect to the Merger as of June 30, 2002, UES will have total assets of approximately $112,047,000, including net utility plant of $80,638,000, and operating revenues for the 12 months ended June 30, 2002 of approximately $110,316,000. UES's pro forma consolidation capitalization as of June 30, 2002 (assuming the exchange of all of the E&H Cumulative Preferred Stock for new shares of UES Cumulative Preferred Stock) will be as follows:

Security	Amount Outstanding	Percentage
Common Stock Equity	28,411,000	35%
Preferred Stock	1,195,000	1.5%
Short-Term Debt	1,550,000	1.9%
Long-Term Debt	50,000,000	61.6%
Total:	81,156,000	100%

6. Money Pool Matters.

CECo and E&H participate in the Until system money pool arrangement ("Money Pool") that is funded, as needed, through bank borrowings and surplus funds invested by the participants in the Money Pool. See Holding Co. Act Release Nos. 35-26737 (June 30, 1997); 35-27182 (June 9, 2000); 35-27307 (Dec. 15, 2000) and 35-27345 (Feb. 14, 2001). Participation in the Money Pool, including short-term debt borrowings, by CECo and E&H are authorized by the New Hampshire Public Utility Commission, and therefore exempt under Rule 52. However, borrowings by and loans to Unitil's other utility subsidiary, Fitchburg Gas and Electric Light Company ("Fitchburg"), are not exempt. Following the Merger, it is proposed that UES be authorized to make loans to Fitchburg on the same terms as CECo's and E&H's current authorization to make such loans. All other terms, conditions and limitations under the Money Pool orders will continue to apply without change.

E. Intended Benefits from the Merger.

By merging E&H into CECo, the Applicants will simplify the corporate structure of Unitil's holding company system. The Merger will also permit the achievement of cost efficiency and service quality improvements. Based upon Unitil's already centralized service company structure, the two New Hampshire distribution operating companies may only achieve nominal operational gains as a result of having a single New Hampshire operating entity. However, the combined knowledge and experience of the two companies will benefit the remaining stand-alone company. On October 28, 2002, the NHPUC approved the Merger, finding that the transaction would be consistent with the public interest. Re: Concord Electric Company, et al., DE 01-247, Order No. 24,046 (NHPUC 2002). The NHPUC accepted Unitil's determination, without specific quantitative evidence, that the Merger would lead to a simpler, more efficient and effective corporate structure resulting in improved New Hampshire utilities operations, regulatory oversight and financial reporting.

For example, the power contract management activities will become more streamlined by eliminating one of the two New Hampshire retail operating companies. Prior to restructuring, UPC provided a consolidated power supply function for CECo and E&H. Under the New Hampshire restructuring scheme, and Unitil settlement approved by the NHPUC, UPC will be divesting its power supply portfolio and exiting the merchant function. Electric

distribution companies such as CECo and E&H, however, will continue to have responsibility for arranging for power supplies to provide both transition and default services. The Merger will allow the Applicants to consolidate their power supply planning, solicitation, contracting and administration activities, resulting in savings by avoiding the cost of conducting two separate solicitations, contract negotiations, and ongoing administration and reporting functions.

In the Distribution Business Development (DBD) department, a benefit will be a decrease in administrative tasks and reporting requirements. The decrease in tasks will not be enough to decrease the employees assigned to this function, but will allow the current employees additional time to work on other tasks to improve the quality of support provided to the communities that Unitil serves. Similarly, Customer Service operations, which are currently consolidated, will be simplified by the consolidation of two tariffs and sets of rates into one, leading to increased operating efficiency and improved service to customers. A consolidated UES tariff will allow for more efficient regulatory review, will be simpler for Unitil to administer and less confusing for customers. The Operations Systems department views the Merger as a first step towards the consideration of a consolidated meter reading system.

For the Finance and Treasury and Regulatory Services departments, there will be a decrease in the number of required reports, analyses, and filings, which will also lead to greater cost efficiencies and enhanced services at the New Hampshire utilities. Currently CECo and E&H must plan, prepare and file separate requests for rate changes, petitions for financings and other mandated initiatives such as energy efficiency and low income programs. The two companies must also separately arrange for long and short term debt, prepare tax filings and file reports with various state and federal agencies. By consolidating these activities under UES, the Applicants will avoid the cost and expense of duplicative activities now being conducted independently by CECo and E&H.

The Applicants believe that the Merger will generate cost efficiencies which would not be available absent the Merger, with no adverse consequences for either customers or shareholders. The consolidation of the planning, reporting, tracking, finance and regulatory functions now required for two separate corporate entities will allow the Applicants to achieve certain savings while maintaining their quality of service. The Merger will not have a negative impact on competition or on effective local regulation. In fact, the Merger is being undertaken in

the context of, and to ensure compliance with, a state-approved restructuring plan designed to enhance competition and local regulation. Under the approved Unitil restructuring settlement, UPC will be divesting its power supply portfolio, and amending its FERC-regulated contractual relationship with the Applicant's, to allow competitive suppliers to sell power directly to the Applicants customers. At the same time, the Applicants will be undertaking the Merger in order to consolidate their ongoing distribution and power supply service activities, which will be primarily regulated by the NHPUC. Accordingly, the Applicants believe that the Merger is in accordance with the applicable standards of the Act and the rules and regulations thereunder.

Item 2. Fees, Commissions and Expenses

The total fees, commission and expenses paid or incurred in connection with the Merger and related transactions are estimated to be not more than $1 million. These costs are expected to consist primarily of attorneys fees plus additional miscellaneous fees.

Item 3. Applicable Statutory Provisions

A. Applicable Provisions

Sections 6, 7, 9, 10 and 12 of the Act, and Rules 43, 44, 45 and 54 thereunder are applicable to the Merger and related transactions, including the amendment and combination of the debt indentures. The proposed transaction involves the merger of two wholly-owned public utility subsidiaries of Unitil Corporation and certain other related transactions. The electric utility operations of the two companies will be unaffected by the Merger. The Merger will allow the companies to achieve a greater level of coordination in operations and will enable the companies to achieve greater cost efficiencies, among other benefits. In addition, the Merger will simplify the Unitil corporate structure. This merger of wholly-owned subsidiaries to simplify corporate structure is consistent with existing Commission precedent (See Alliant Energy Corporation, Holding Company Act Release No. 27456 (Oct. 24, 2001)), and is designed to meet one of the primary goals of the Act, namely to facilitate state regulation.

Following the Merger, the Unitil holding company system will remain an integrated public utility system. In the 1992 order pursuant to which the current Unitil holding company system was created (Holding Co. Act Release No. 25524 (Apr. 24, 1992)), the Commission found that CECo, E&H and Fitchburg constitute an integrated public utility system

within the meaning of the Act. The order noted that contract paths and, in particular, the tight power pool system used in New England (to which all of Unitil's subsidiaries belonged) created an interconnected system that was located in the New England region. While the Merger will result in the combination of two of the corporate entities in which the system's utility operations are located, it will not change the fundamental fact that the same assets will be operated as one coordinated system and will be a part of ISO-New England. Therefore, the same analysis used by the Commission, and favorably cited in recent cases remains applicable./1 Indeed, as a result of the efficiencies and service quality improvements discussed above, Applicants believe that the Merger tends to the even more economic and efficient development of an integrated public utility system.

Section 12(e) of the Act and Rule 62 are applicable to the Solicitation as well as obtaining the consent of bondholders under the two indentures. As indicated, the Commission has granted Applicants authorization to solicit the holders of each outstanding series of E&H Cumulative Preferred Stock for approval the Merger as a separate class and the bondholders of the CECo Indenture and E&H Indenture to consent to the amendment and combination of those indentures.

B. Rule 54 Analysis

Neither Unitil nor any subsidiary thereof presently has, or as a consequence of the proposed transactions will have, an interest in any exempt wholesale generator ("EWG") or foreign utility company ("FUCO"), as those terms are defined in Sections 32 and 33 of the Act, respectively. None of the proceeds from the proposed transactions will be used to acquire any securities of, or any interest in, an EWG or FUCO. Moreover, neither Unitil nor any of the subsidiaries is, or as a consequence of the proposed transactions will become, a party to, and such entities do not and will not have any rights under, a service, sales or construction contract with any affiliated EWGs or FUCOs except in accordance with the rules and regulations promulgated by the Commission with respect thereto. Consequently, all applicable requirements of Rule 53(a)-(c) under the Act are satisfied as required by Rule 54 under the Act.

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1 Nat'l Rural Elec. Coop. Ass'n, v. SEC, 2002 U.S. App. LEXIS 777 (D.C. Cir. Jan. 18, 2002).

Item 4. Regulatory Approvals

The federal and state regulatory requirements described below must be complied with before the Applicants can complete the Merger and related transactions. The Applicants have received all of these regulatory approvals. Except as set forth below, no additional approvals from federal or state regulatory commissions are required to complete the Merger and related transactions.

State Approvals

New Hampshire

CECo and E&H are subject to the jurisdiction of the New Hampshire Commission as public utilities, and the approval of the New Hampshire Commission is required to implement the Merger and the related transfer of all existing franchises, rights, works and systems of CECo and E&H to UES, pursuant to RSA 374:33, 374:30 and 369:1. The NHPUC will also approve the issuance of the four new series of preferred stock by UES in connection with the Merger. On January 25, 2001, CECo and E&H filed an application seeking the approval of the New Hampshire Commission consistent with these requirements. The New Hampshire proceeding is being conducted in phases: Phase I addresses the divestiture of Unitil's power supply portfolio and acquisition of transition service and default service and Phase II relates to the Merger and the realignment of Unitil's rate structure.

The NHPUC issued a written order approving Phase I settlement, with conditions, on September 4th. The parties subsequently filed a first Amendment to the Phase I Settlement Agreement on September 11th, which the Commission approved in oral deliberation on September 13th.

The Parties filed the Phase II Settlement on September 3rd. The Commission held hearings on September 10, 11, 12 and 13 and approved the Merger Agreement in oral deliberations on September 18th. Copies of the initial petition to the NHPUC and the Phase II settlement agreement are filed herewith as exhibits C-1 and C-1.1, respectively. A copy of the Oral Deliberations of the NHPUC relating to Phase II is filed herewith as exhibit C-3.1. The NHPUC's written order approving the Phase II Settlement Agreement and the amendment to the Phase I Settlement Agreement, dated October 25, 2002, is attached as Exhibit C-3.

Federal Approvals

Federal Power Act

The FERC must approve the Merger. Under Section 203 of the Federal Power Act, the FERC is directed to approve a merger if it finds such merger consistent with the public interest. In reviewing a merger, the FERC generally evaluates:

- whether the merger will adversely affect competition;
- whether the merger will adversely affect rates; and
- whether the merger will impair the effectiveness of regulation.

On August 30, 2002, the parties filed an application with the FERC requesting approval of the Transaction under Section 203 of the Federal Power Act. A copy of the application filed with the FERC is filed herewith as exhibit C-2. The FERC order approving the Merger was issued on October 23, 2002 and is attached hereto as Exhibit C-4.

In addition, the Applicants will file a Notice of Succession for UES to succeed to the rate schedules and tariffs of CECo and E&H.

Item 5. Procedure

The requisite notice under Rule 23 with respect to the filing of this Application-Declaration was issued and published by the Commission on October 18, 2002, and specified a date not later than November 12, 2002 by which comments may be entered and an order of the Commission granting and permitting this Application to become effective may be entered by the Commission. The Applicants are unaware of any comments having been time filed with respect to this Application-Declaration. The Applicants expect to close the proposed Merger on or about December 1, 2002. The Applicants request that the Commission's order with respect to the Merger and related matters be issued as soon as practicable and that such order remain effective through February 28, 2003.

The Applicants waive a recommended decision by a hearing or other responsible officer of the Commission for approval of the Merger and consent to the Division of Investment Management's assistance in the preparation of the Commission's decision. There should not be a waiting period between the issuance of the Commission's order and the date on which it is to become effective.

Item 6. Exhibits and Financial Statements

A. EXHIBITS

A-1 Articles of Incorporation of CECo. (Previously filed in paper format on Form SE)

A-2 Bylaws of CECo, as amended. (Previously filed)

A-3 Articles of Incorporation of E&H. (Previously filed in paper format on Form SE)

A-4 Bylaws of E&H, as amended. (Previously filed)

B-1. Proposed form of Agreement and Plan of Merger between CECo and E&H. (Previously filed)

B-2 Proposed form of Solicitation material. (Previously filed)

B-3 Proposed form of Indenture for UES.

C-1 Copy of Petition to the New Hampshire Public Utilities Commission. (Previously filed)

C-1.1 Settlement Agreement dated September 3, 2002 as filed with the NHPUC. (Previously filed)

C-2 Copy of Petition to the FERC. (Previously filed)

C-3 Order of NHPUC.

C-3.1 Oral Deliberations of the NHPUC. (Previously filed)

C-4 Copy of Order of the FERC.

C-5 Order of the NHPUC with respect to CECo short-term debt authority. (Previously filed)

C-6 Order of the NHPUC with respect to E&H short-term debt authority. (Previously filed)

D Map of CECo and E&H Service Areas. (Previously filed in paper format on Form SE)

E Opinion of Counsel

F Form of Federal Register Notice. (Previously filed)

B. FINANCIAL STATEMENTS

FS-1 Unaudited Statement of Income of CECo for the twelve months ended June 30, 2002. (Previously filed)

FS-2 Unaudited Balance Sheet of CECo as of June 30, 2002. (Previously filed)

FS-3 Unaudited Statement of Income of E&H for the twelve months ended June 30, 2002. (Previously filed)

FS-4 Unaudited Balance Sheet of E&H as of June 30, 2002. (Previously filed)

FS-5 Unaudited Pro Forma Combined Balance Sheet of UES as of June 30, 2002. (Previously filed)

FS-6 Unaudited Pro Forma Combined Statement of Income of UES for the twelve months ended June 30, 2002. (Previously filed)

Item 7. Information as to Environmental Effects

The Merger and related transactions do not involve a "major federal action" nor does it "significantly affect the quality of the human environment" as those terms are used in section 102(2)(C) of the National Environmental Policy Act. The Merger and related transactions will not result in changes in the operation of the Applicants that will have an impact on the environment. The Applicant are not aware of any federal agency that has prepared or is preparing an environmental impact statement with respect to the transactions that are the subject of this Applicant-Declaration.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, Applicants have duly caused this Pre-Effective Amendment No. 2 to the Application-Declaration to be signed on their behalf by the undersigned thereunto duly authorized.

UNITIL CORPORATION
CONCORD ELECTRIC COMPANY
EXETER & HAMPTON ELECTRIC COMPANY

By: /s/ Mark H. Collin
_____
Name: Mark H. Collin

Draft

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FORM OF
TWELFTH SUPPLEMENTAL INDENTURE

UNITIL ENERGY SYSTEMS, INC.
(successor to Concord Electric Company)

to

STATE STREET BANK AND TRUST COMPANY,
TRUSTEE

Dated as of December 1, 2002

Supplementing, Amending and Restating the
Concord Electric Company Indenture of Mortgage and Deed of Trust

Dated as of July 15, 1958

In connection with the Merger of
Exeter & Hampton Electric Company
into Concord Electric Company

==========

CONCORD ELECTRIC COMPANY

TWELFTH SUPPLEMENTAL INDENTURE
Dated as of December 1, 2002

TABLE OF CONTENTS

This Twelfth Supplemental Indenture is dated as of December 1, 2002 and entered into by and between UNITIL ENERGY SYSTEMS, INC., a corporation duly organized and existing under and by virtue of the laws of the State of New Hampshire, having its principal office and place of business in Concord, County of Merrimack in the State of New Hampshire (hereinafter sometimes referred to as the "Company"), and STATE STREET BANK AND TRUST COMPANY (successor to Old Colony Trust Company), a Massachusetts trust company and having its principal office and place of business in Boston, Massachusetts, as Trustee (hereinafter sometimes referred to as the "Trustee"), with reference to the following Recitals:

RECITALS

The background of this Twelfth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee, as Trustee its Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (hereinafter sometimes referred to as the "Original Indenture") and has executed and delivered to the Trustee, the following supplemental indentures thereto: (a) a First Supplemental Indenture dated as of January 15, 1968, (b) a Second Supplemental Indenture dated as of November 15, 1971, (c) a Third Supplemental Indenture dated as of July 1, 1975, (d) a Fourth Supplemental Indenture dated as of March 28, 1984, (e) a Fifth Supplemental Indenture dated as of June 1, 1984, (f) a Sixth Supplemental Indenture dated as of October 29, 1987, (g) a Seventh Supplemental Indenture dated as of August 29, 1991, (h) an Eighth Supplemental Indenture dated as of October 14, 1994, (i) a Ninth Supplemental Indenture dated as of September 1, 1998, (j) a Tenth Supplemental Indenture dated as of January 15, 2001, and (k) an Eleventh Supplemental Indenture dated as of April 20, 2001 (the Original Indenture and such supplemental indentures being sometimes collectively referred to as the "Indenture") for the purpose of securing Bonds of the Company to be issued in series from time to time in the manner and subject to the conditions set forth in the indenture;

B. There are presently issued and outstanding under the Indenture the following Bonds in the following principal amounts and with the maturity dates indicated:

(i) $6,000,000 aggregate principal amount of the Company Series I, 8.49% Bonds due October 14, 2024;

(ii) $10,000,000 aggregate principal amount of the Company Series J, 6.96% Bonds due September 1, 2028; and

(iii) $7,500,000 aggregate principal amount of the Company Series K, 8.00% Bonds due May 1, 2031;

C. Exeter & Hamption Electric Company ("Exeter") has executed and delivered to State Street Bank and Trust Company (successor to Old Colony Trust Company), as Trustee its Indenture of Mortgage and Deed of Trust dated as of December 1, 1952 (hereinafter sometimes

referred to as the "Original Exeter Indenture") and has executed and delivered to such Trustee, the following supplemental indentures thereto: (a) a First Supplemental Indenture dated as of January 16, 1956, (b) a Second Supplemental Indenture dated as of January 15, 1960, (c) a Third Supplemental Indenture dated as of June 1, 1964, (d) a Fourth Supplemental Indenture dated as of January 15, 1968, (e) a Fifth Supplemental Indenture dated as of November 15, 1971, (f) a Sixth Supplemental Indenture dated as of April 1, 1974, (g) a Seventh Supplemental Indenture dated as of December 15, 1977, (h) an Eighth Supplemental Indenture dated as of October 28, l987, (i) a Ninth Supplemental Indenture dated as of August 29, 1991, (j) a Tenth Supplemental Indenture dated as of October 14, 1994, (k) an Eleventh Supplemental Indenture dated as of September 1, 1998, and (l) a Twelfth Supplemental Indenture dated as of April 20, 2001 (the Original Exeter Indenture and such supplemental indentures being sometimes collectively referred to as the "Exeter Indenture") for the purpose of securing Bonds of Exeter to be issued in series from time to time in the manner and subject to the conditions set forth in the indenture;

D. There are presently issued and outstanding under the Exeter Indenture the following Bonds (the "Exeter Bonds") in the following principal amounts and with the maturity dates indicated:

(i) $9,000,000 aggregate principal amount of the Exeter Series K, 8.49% Bonds due October 14, 2024;

(ii) $10,000,000 aggregate principal amount of the Exeter Series L, 6.96% Bonds due September 1, 2028; and

(iii) $7,500,000 aggregate principal amount of the Exeter Series M, 8.00% Bonds due May 1, 2031;

E. Prior to the Merger Date (as hereinafter defined), both the Company and Exeter are wholly-owned subsidiaries of Unitil Corporation, a registered holding company under the Public Utility Holding Company Act of 1935, as amended. On the Merger Date, Unitil Corporation will combine all of the operations of the Company and Exeter through the merger of Exeter into the Company (the "Merger") pursuant to an Agreement and Plan of Merger dated as of _____, 2002 between the Company and Exeter (the "Merger Agreement"). Simultaneously with the Merger, (i) each holder of an Exeter Bond will exchange such Exeter Bond for a bond issued by the Company under the Indenture containing substantially the same terms and provisions as such Exeter Bond (all such exchanges being collectively, the "Exchange"), (ii) the Exeter Indenture will be cancelled and discharged and (iii) the Exeter Bonds will be cancelled;

F. The Company, in the exercise of the power and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this Twelfth Supplemental Indenture (hereinafter sometimes referred to as the "Twelfth Supplemental Indenture") in order to amend and restate the Indenture which will become effective concurrently with the consummation of the Merger;

G. Exeter has obtained and filed with the Trustee the written consent of the holders of the Exeter Bonds to the Exchange and to the restatement of and other amendments to the Indenture which are hereinafter set forth;

H. The Company has also obtained and filed with the Trustee the written consent of the holders of all of the Bonds under the Indenture outstanding prior to the Merger to the restatement of and the other amendments to the Indenture which are hereinafter set forth;

I. The Company has determined that all conditions and requirements necessary to make this Twelfth Supplemental Indenture, in the form and terms hereof, a valid, binding and legal agreement in accordance with its terms and the purposes herein expressed, have been performed and fulfilled, and the execution and delivery hereof have been in all respects duly authorized;

NOW, THEREFORE, in consideration of the premises and of the sum of One Dollar ($1.00) duly paid by the Trustee to the Company at or before the delivery of these presents, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Company hereby covenants and agrees with the Trustee, and its successors in the trust under the Indenture, for the equal benefit of all present and future bondholders as follows:

PART I
RESTATEMENT OF INDENTURE

The first WHEREAS paragraph and all provisions of the Original Indenture as heretofore amended and supplemented which follows such paragraph including, without limitation, the Granting Clauses and Articles I through XVI of such Original Indenture, are hereby restated in their entirety to read as follows, provided that this restatement shall not affect any specific terms or provisions of the Bonds outstanding contained in the Bonds or in the supplemental indenture pursuant to which such Bonds were issued except as herein or hereinafter otherwise provided and the form of bond hereinafter issued under the Indenture shall only be in registered form and the form of such bond to be used hereinafter is set forth in Exhibit A hereto:

WHEREAS, the Company has duly authorized by law to issue, sell or otherwise dispose of its obligations for its lawful corporate purposes and to secure the payment of such obligations by a first mortgage and deed of trust of and upon its properties, rights, privileges and franchises now owned or hereafter acquired; and

WHEREAS the Company has deemed it necessary and advisable to borrow money from time to time to retire its obligations and for other proper corporate purposes, and to issue its Bonds therefor, and to mortgage and pledge its property hereinafter described to secure the payment of said Bonds, and to that end has authorized and directed the issue of its Bonds from time to time limited in aggregate principal amount as hereinafter provided, to be designated as its First Mortgage Bonds, to be issuable in one or more series, to be fully registered Bonds without coupons, to bear such date or dates, to mature on such date or dates, to bear interest at such rates

and to contain and enjoy or to be subject to such provisions as shall be determined by the Board of Directors of the Company prior to the issue thereof; and

WHEREAS all things necessary to make the said Bonds, when authenticated by the Trustee and issued as in this Indenture provided, valid, binding and legal obligations of the Company, and to constitute this Indenture a valid first mortgage and deed of trust to secure the payment of the principal of and interest on all Bonds issued hereunder, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issue of said Bonds subject to the terms hereof have in all respects been duly authorized;

Now, THEREFORE, THIS INDENTURE WITNESSETH that, in consideration of the premises and of the sum of $10 duly paid to the Company by the Trustee, and of other good and valuable considerations, receipt whereof upon the ensealing and delivery of this Indenture the Company hereby acknowledges, and in order to secure the equal pro rata payment (except as herein otherwise provided) of both the principal of and the interest on all of the Bonds at any time authenticated, issued and outstanding hereunder, according to their tenor, purport and effect and the provisions hereof, and to secure the faithful performance and observance of all the covenants, obligations, conditions and provisions therein and herein contained;

THE COMPANY has given, granted, bargained, sold, warranted, pledged, assigned, transferred, mortgaged and conveyed, and by these presents does give, grant, bargain, sell, warrant, pledge, assign, transfer, mortgage and convey, unto the Trustee and its successors in the trusts hereof, and its and their assigns, all and singular the following described property and rights and interests in property, whether now owned or hereafter acquired by the Company (all of the foregoing, with all other property and rights and interests in property intended to be hereby conveyed, mortgaged, transferred, and assigned, or at any time conveyed, mortgaged, pledged, transferred, assigned or delivered, and all proceeds of any of the foregoing at any time conveyed, mortgaged, transferred, assigned, paid or delivered to and from time to time held by the Trustee upon the trusts hereof, being herein generally called, collectively, the "Mortgaged Property" or "Trust Estate") and grants a security interest therein as permitted by applicable law;

All real estate and rights and interests in and to real estate, all plants, stations, structures, lines, facilities and other physical property used or useful in the business of generating, producing, transmitting, distributing, utilizing or purchasing electricity, including all machinery, equipment, tools and other tangible personal property used or useful in connection therewith, all dams, reservoirs, water, flowage and riparian rights and all franchises, licenses, permits, easements and rights of way used or useful in connection with said business, and all other property wherever located and of whatever nature, whether real, personal or mixed, in all cases not specifically reserved and excepted, and whether now owned or hereafter acquired by the Company, including, without limiting the generality of the foregoing, all property specifically described in Schedule A hereto;

Also any and all cash, stocks, shares, bonds, notes, securities and other property which at any time hereafter, by delivery or writing of any kind for the purposes hereof, may be expressly conveyed, mortgaged, pledged, delivered, assigned, transferred or paid to or deposited with the Trustee hereunder by the Company or by a successor corporation, or with its consent by any one

in its behalf, as and for any additional security for the Bonds issued and to be issued hereunder, the Trustee being authorized at any and all times to receive such conveyance, mortgage, pledge, delivery, assignment, transfer, payment or deposit, and to hold and apply any and all such cash, stocks, shares, bonds, notes, securities and other property in accordance with the provisions hereof and/or of such writing;

TOGETHER WITH all the Company's now-existing or hereafter acquired right, title and interest in and to any and all physical property of the Company, now or hereafter subject to any prior mortgage, pledge, charge and/or other encumbrance or lien, and the cash and/or other proceeds therefrom, to the extent that such property, cash and/or proceeds shall not be otherwise held and/or applied pursuant to the requirements of any such mortgage, pledge, charge and/or other encumbrance or lien;

AND TOGETHER WITH all and singular the now-existing and hereafter-acquired rights, privileges, tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property or any part thereof, with all reversion and reversions, remainder and remainders and, subject to the provisions of Section 10.01 hereof, all rents, revenues, income, issues and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire, in and to all and every part of the foregoing, it being the intention to include herein and to subject to the lien hereof all land, interests in land, real estate, equipment, machinery and other physical assets and all franchises whether now owned by the Company or which it may hereafter acquire and wherever situated, as if the same were now owned by the Company and were specifically described and conveyed hereby, except as hereinafter specified;

SUBJECT, HOWEVER, in so far as affected thereby, to any Permitted Encumbrances as defined in Section 1.01, and, as to the property specifically described in Schedule A hereto, to the liens, encumbrances, reservations, restrictions, conditions, limitations, covenants, interests and exceptions, if any, set forth or referred to in the descriptions thereof contained in said Schedule A, none of which substantially interferes with the free use and enjoyment by the Company of the property and rights hereinbefore described for the general purposes and uses of the Company's electric business;

AND SUBJECT FURTHER, as to all hereafter-acquired property of any character hereinbefore described, in so far as affected thereby, to any mortgages, encumbrances or liens on such after-acquired property existing at the time of such acquisition or contemporaneously created, conforming to the provisions of Section 8.07 hereof;

BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING from this Indenture, and from the grant, conveyance, mortgage, transfer and assignment herein contained (sometimes hereinafter called "Excepted Property"):

(a) all property, permits, licenses, franchises and rights, whether now owned or hereafter acquired by the Company, which are intended to be hereby granted, conveyed, mortgaged, transferred and assigned (exclusive of property specifically described in Schedule A hereto), but which cannot be so granted, conveyed, mortgaged, transferred or assigned without

the consent of other parties whose consent is not, after reasonable effort, secured, or without subjecting the Trustee to a liability not otherwise contemplated by the provisions of this Indenture, or which otherwise may not be hereby lawfully and/or effectively granted, conveyed, mortgaged, transferred and assigned by the Company;

(b) the last day of the term of each leasehold estate (oral or written, and/or any agreement therefor) now or hereafter enjoyed by the Company, and whether falling within a general or particular description of property herein;

(c) all the Company's present and future fuel, merchandise held for sale, cash on hand or in bank, books, choses in action, contracts, shares of stock, Bonds and other securities, documents and accounts and bills receivable (except proceeds of the trust estate, and insurance and other moneys, and purchase money obligations, required by, the provisions hereof to be paid to or deposited with the Trustee), and materials, stores, supplies and other personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the plants or systems of the Company; and

(d) all property of the Company which is not Public Utility Property and which has been duly released by the Trustee from the lien hereof pursuant to Section 10.04A and is still owned by the Company.

TO HAVE AND TO HOLD the Trust Estate, with all of the privileges and appurtenances thereunto belonging, unto the Trustee, its successors in the trusts hereof, and its and their assigns, to its and their own use, forever;

BUT IN TRUST NEVERTHELESS for the equal pro rata benefit, security and protection (except as provided in Section 8.14 of this Indenture and except in so far as a sinking, improvement or analogous fund or funds, established in accordance with the provisions of this Indenture, may afford particular security for Bonds of one or more series) of the registered owners of the Bonds from time to time authenticated, issued and outstanding hereunder, without (except as aforesaid) any preference, priority or distinction whatever of any one bond over any other bond by reason of priority in the issue, sale or negotiation thereof, or otherwise;

PROVIDED, HOWEVER, and these presents are upon the condition, that if the Company shall pay or cause to be paid the principal of and premium, if any, and interest on the Bonds at the times and in the manner therein and herein provided, and shall keep, perform and observe all and singular the covenants, agreements and provisions in the Bonds and in this Indenture expressed to be kept, performed and observed by or on the part of the Company, then this Indenture and the estate and rights hereby granted shall, pursuant to the provisions of Article Thirteen hereof, cease, determine and be void, but otherwise shall be and remain in full force and effect.

The Company hereby declares that it holds and will hold and apply all property described in the foregoing clauses (a), (b) and (c) in the fourth preceding paragraph as specifically reserved and excepted upon the trusts herein set forth and as the Trustee (or any purchaser thereof upon any sale thereof hereunder) shall for such purpose direct from time to time, to the fullest extent

permitted by law or in equity, as fully as if the same could be and had been hereby granted, conveyed, mortgaged, transferred and assigned to and vested in the Trustee.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said mortgaged property and trust estate is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed and the Company has agreed and covenanted and does hereby agree and covenant with the Trustee and with the respective holders, from time to time, of the said Bonds or any part thereof as follows, that is to say:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. As hereinafter used in this Indenture each of the following terms shall be construed to have the meaning hereinafter specified respectively, unless otherwise clearly indicated by the context.

"Acceptable Bank" means any bank or trust company (including the Trustee and its affiliates) (i) which is organized under the laws of the United States of America or any State thereof, (ii) which has capital, surplus and undivided profits aggregating at least $100,000,000, and (iii) whose long-term unsecured debt obligations (or the long-term unsecured debt obligations of the bank holding company owning all of the capital stock of such bank or trust company) shall have been given a rating of "A" or better by S&P, "A2" or better by Moody's or an equivalent rating by any other credit rating agency of recognized national standing.

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Available Bonds" means Bonds issued under and secured by the lien of this Indenture, which have been purchased or redeemed by the Company but have not been either (a) redeemed by the use of any money deposited with the Trustee for the purposes of any sinking or improvement fund; (b) redeemed with moneys deposited with the Trustee pursuant to Section 8.10, 8.12, 10.03, 10.04 or 10.04A and applied to such redemption pursuant to Section 11.02 or 11.03; or (c) theretofore used as the basis for the issue of Bonds under Article Five, or delivered

to the Trustee in lieu of payments for any sinking or improvement fund or credited under any other requirement hereof.

Bonds for the redemption of which moneys shall have been or are concurrently being deposited with the Trustee shall be deemed to have been redeemed within the meaning of this definition, provided that notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made therefor, or such notice shall have been waived.

"Annual Interest Requirements" has the meaning set forth in Section 4.02(C).

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of said board.

"Board Resolution" means a copy of a resolution certified by the Secretary or Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect, and delivered to the Trustee.

"Bond" or "Bonds" means any bond or bonds that have been or may be issued under this Indenture.

"Bonded" has the meaning set forth in Section 4.01(G).

"Certificate of Net Bondable Expenditures" has the meaning set forth in Section 4.01(I).

"Company" means Concord Electric Company (prior to the Merger Date) and Unitil Energy Systems, Inc. (successor to Concord Electric Company on and after the Merger Date), and, subject to the provisions of Article Twelve hereof, its successors and assigns.

"Company Post-Merger Bondable Expenditures" has the meaning set forth in Section 4.01(H).

"Company Post-Merger Bonded Expenditures" has the meaning set forth in Section 4.01(G).

"Company Post-Merger Gross Expenditures for Property Additions" has the meaning set forth in Section 4.01(C).

"Company Post-Merger Net Expenditures" has the meaning set forth in Section 4.01(F).

"Company Post-Merger Net Retirements" has the meaning set forth in Section 4.01(E).

"Company Post-Merger Property Additions" has the meaning set forth in Section 4.01(A).

"Company Pre-Merger Bondable Expenditures" has the meaning set forth in Section 4.01(H).

"Company Pre-Merger Bonded Expenditures" has the meaning set forth in Section 4.01(FG).

"Company Pre-Merger Gross Expenditures for Property Additions" has the meaning set forth in Section 4.01(C).

"Company Pre-Merger Net Expenditures" has the meaning set forth in Section 4.01(F).

"Company Pre-Merger Net Retirements" has the meaning set forth in Section 4.01(E).

"Company Pre-Merger Property Additions" has the meaning set forth in Section 4.01(A).

"Default" means any event, which would with the lapse of time or the giving of notice, or both, become an Event of Default.

"Earnings Available for Interest Charges" has the meaning set forth in Section 4.02(B).

"Earnings Available for Interest Charges Certificate" has the meaning set forth in Section 4.02(C).

"Engineer" means an individual, co-partnership or corporation engaged in an engineering business or employed by the Company to pass upon engineering questions.

"Engineer's Certificate" means a certificate signed and verified by an engineer (who, except during the continuance of a Default, may be an employee of the Company) appointed by the Board of Directors of the Company.

"Event of Default" has the meaning set forth in Section 14.01.

"Excepted Property" has the meaning stated in the third paragraph following the Granting Clauses.

"Exchange" has the meaning set forth in paragraph E of the Recitals.

"Exchange Bonds" has the meaning set forth in Article III.

"Exeter" means Exeter & Hampton Electric Company.

"Exeter Indenture" has the meaning set forth in paragraph C of the Recitals.

"Exeter Pre-Merger Bondable Expenditures" has the meaning set forth in Section 4.01(H).

"Exeter Pre-Merger Bonded Expenditures" has the meaning set forth in Section 4.01(G).

"Exeter Pre-Merger Gross Expenditures for Property Additions" has the meaning set forth in Section 4.01(C).

"Exeter Pre-Merger Net Expenditures" has the meaning set forth in Section 4.01(F).

"Exeter Pre-Merger Net Retirements" has the meaning set forth in Section 4.01(E).

"Exeter Pre-Merger Property Additions" has the meaning set forth in Section 4.01(A).

"Fixed Property" has the meaning set forth in Section 4.01(A).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Gross Expenditures" has the meaning set forth in Section 4.01(C).

"Gross Expenditures for Property Additions" has the meaning set forth in Section 4.01(C).

"Gross Operating Revenues" has the meaning set forth in Section 4.02(A).

"Indenture" means this instrument, together with any and all indentures which may hereafter be made supplemental hereto.

"Independent Engineer" means any engineer who has no specific interest, direct or indirect, in the Company and, in the case of an individual, is not a director, officer or employee of the Company and, in the case of a co-partnership or organization, does not have a partner, director, official or employee who is a director, official or employee of the Company.

"Independent Engineer's Certificate" means a certificate signed and verified by an independent engineer.

"Investment" means any investment or acquisition, made in cash or by delivery of property by the Company or any of its Subsidiaries (i) in any Person, whether by acquisition of stock, indebtedness or other obligation or security, or by loan, guaranty, advance, capital contribution or otherwise, or (ii) in any property.

"Make Whole Premium " has the meaning set forth in Section 14.02.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

"Merger" has the meaning set forth in paragraph E of the Recitals.

"Merger Agreement" has the meaning set forth in paragraph E of the Recitals.

"Merger Date" shall mean _____, 2002.

"Merger Date Series" has the meaning set forth in Article III.

"Moody's" means Moody's Investors Service, Inc.

"Mortgaged Property" or "Trust Estate" means the assets of the Company now or hereafter subject or subjected to the lien of this Indenture.

"Net Bondable Expenditures" has the meaning set forth in Section 4.01(H).

"Net Bondable Expenditures for Property Additions" has the meaning set forth in Section 4.01(H).

"Net Expenditures" has the meaning set forth in Section 4.01(F).

"Net Expenditures for Property Additions" has the meaning set forth in Section 4.01(F).

"Net Income" has the meaning set forth in Section 8.15.

"Net Retirements" has the meaning set forth in Section 4.01(E).

"New Gross Expenditures" has the meaning set forth in Section 4.01(I).

"New Property Additions" has the meaning set forth in Section 4.01(I).

"Officers' Certificate" means a certificate signed by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company. Each Officers' Certificate shall, if required by Section 16.07, contain the statements provided for in said Section.

"Opinion of Counsel" means an opinion in writing signed by legal counsel satisfactory to the Trustee, who, except during the continuance of a Default, may be of counsel to the Company. Each Opinion of Counsel shall, if required by Section 16.07, contain the statements provided for in said Section.

"Order of the Company" means a written instrument signed and verified by the President or a Vice-President and either by the Secretary or the Clerk or the Treasurer or an Assistant Treasurer of the Company requesting or directing the particular action in question to be taken.

"Outstanding" shall mean, when used with reference to Bonds or to Bonds of a specified series, all Bonds which have been authenticated and delivered under this Indenture or all Bonds of the series specified which have been so authenticated and delivered except:

(a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which moneys shall have theretofore been irrevocably deposited with the Trustee (whether upon or prior to the maturity or redemption date of said Bonds), provided that if such Bonds are to be redeemed or paid prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor or such notice shall have been waived; and

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Section 2.11;

and, whenever such term is used with reference to any action or nonaction which may be requested or taken by or to which objection may be made by the owners or holders of a specified percentage or proportion of Bonds outstanding hereunder, or of Bonds of a specified series outstanding hereunder, Bonds directly or indirectly owned or held by or for the account of, or for the benefit or interest of, the Company or any other obligor upon the Bonds or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding.

"Permitted Encumbrances" means as of any particular time any of the following:

(a) liens for taxes, assessments or governmental charges not then delinquent or the validity of which the Company is contesting in good faith (unless thereby in the opinion of counsel any of the trust estate will be in danger of being lost or forfeited), liens for workmen's compensation awards and similar obligations not then delinquent and liens for judgments, payment of which in the opinion of counsel has been adequately secured;

(b) any obligations or duties, affecting the property of the Company, to any municipality or public authority with respect to any franchise, grant, license or permit, provided, however, that such franchise, grant, license or permit does not give such municipality or public authority any right to purchase property at less than its fair value;

(c) the license from the Federal Power Commission issued under the provisions of the Federal Power Act of 1935, so-called, and any modification or renewal of such license, under the terms of which the United States of America has the right to acquire the Company's Sewalls Falls hydro-electric plant and certain associated transmission lines by purchase at the expiration of such license for a sum equal to the net investment of the Company in the plant;

(d) building or building line restrictions or agreements, easements, exceptions or reservations in any property of the Company for the purpose of roads, streets, pipe lines, sewer lines or mains, water lines, ditches, railroad rights-of-way, telephone, telegraph or electric transmission lines and other like purposes and which, as shown by an Engineer's Certificate, do not impair the use of such property for the purposes for which it is held by the Company;

(e) liens for laborers' and materialmen's services and materials, but only so long as payment for such labor or material is not yet owing under the terms of employment or the purchase of materials;

(f) liens, neither assumed by the Company nor on which it customarily pays interest charges, existing upon real estate or rights in or relating to real estate acquired by the Company for substation, transmission line or right of way purposes;

(g) liens, encumbrances, reservations, restrictions, conditions, limitations, covenants, interests and exceptions, if any, set forth or referred to in Schedule A attached hereto on property now owned by the Company; and

(h) any mortgage, loan or encumbrance securing indebtedness or obligations permitted under Section 8.07 or Section 12.02.

"Person" shall mean an individual, partnership, corporation, limited liability company, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Prime Rate" has the meaning set forth in Section 15.13.

"Property Additions" has the meaning set forth in Section 4.01(A).

"Public Utility Property" has the meaning set forth in Section 10.04(A).

"Purchased Property" has the meaning set forth in Section 4.01(B).

"Resolution" means a copy of a resolution certified by the Secretary, the Clerk or any Assistant Secretary of the Company under the corporate seal of the Company to have been duly adopted by the Board of Directors and to remain in full force and effect without alteration or with only such alterations as are specified in such certificate.

"Responsible Officer", when used with respect to the Trustee, shall mean (i) if State Street Bank and Trust Company is acting as Trustee, any Vice President or any officer in the Corporate Trust department, or (ii) when any successor is acting as Trustee, any Vice President or any officer in the department of such successor which is responsible for the administration of the trust under the Indenture.

"Restated Indenture" means the Twelfth Supplemental Indenture which restates the Indenture.

"Retirements" has the meaning set forth in Section 4.01(D).

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

"Stockholders Resolution" means a copy of a resolution certified by the Clerk or the Secretary or any Assistant Secretary of the Company under the corporate seal of the Company to have been duly adopted by the stockholders of the Company entitled to vote upon the subject of such resolution and to remain in full force and effect without alteration or with only such alterations as are specified in such certificate.

"Subsidiary" shall mean any corporation which has more than fifty percent (50%) of its outstanding Voting Stock owned at the time of reference, directly or indirectly, by the Company, or by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

"Trustee" means State Street Bank and Trust Company and, subject to the provisions of Article Fifteen hereof, its successors as trustee in the trust hereby created.

"Trust Estate" or "Mortgaged Property" means the assets of the Company now or hereafter subject or subjected to the lien of this Indenture.

"Trust Moneys" has the meaning set forth in Section 11.01.

"Underlying Mortgage" means a mortgage lien or other lien or charge (exclusive of permitted encumbrances) prior to the lien of this Indenture upon any property, plant or equipment acquired by the Company after the execution and delivery of this instrument.

"United States Governmental Security" means any direct obligation of, or obligation guaranteed by, the United States of America, or any agency controlled or supervised by or acting as an instrumentality of the United States of America pursuant to authority granted by the Congress of the United States of America, so long as such obligation or guarantee shall have the benefit of the full faith and credit of the United States of America which shall have been pledged pursuant to authority granted by the Congress of the United States of America.

"Voting Stock" shall mean stock of any class or classes having ordinary voting power for the election of a majority of the directors of such corporation, other than stock having such power only by reason of the happening of a contingency.

ARTICLE II

GENERAL PROVISIONS AS TO THE BONDS

Section 2.01. General Limitations. This Indenture creates a continuing lien to secure the payment of the principal of and interest on all Bonds which may, from time to time, be issued, authenticated and delivered hereunder. All Bonds issued under and in pursuance of this Indenture and at any time Outstanding, shall be in all respects, subject to the provisions and qualifications in this Indenture contained, and except as any sinking or other fund established in accordance with the provisions of this Indenture may afford additional security for the Bonds of any particular series, equally and ratably secured hereby without preference, priority or distinction, on account of the actual time or times of the issue of said Bonds, or any of them, so

that all Bonds at any time Outstanding shall have the same rights, lien and preferences under and by virtue of this Indenture, and shall all be equally secured hereby, subject to the provisions and qualifications in this Indenture contained, and except as any sinking or improvement or other fund established in accordance with the provisions of this Indenture may afford additional security for the Bonds of any particular series, with like effect as if they had all been authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be authenticated or delivered, or sold or disposed of at some future date.

Section 2.02. General Designation. The Bonds issued under and secured by this Indenture shall be issuable in series and shall be designated by suitable descriptive words which shall always include the words "First Mortgage," with appropriate insertions and changes and designations in such title descriptive of the respective series of Bonds, as may be determined by the Board of Directors and set forth in the indenture supplemental hereto creating such series. The text of the Bonds and of the certificate of the Trustee shall be substantially of the tenor and purport of the Bonds set forth in Exhibit A attached hereto and made a part hereof, with appropriate insertions, omissions, substitutions and variations, in case of Bonds of different denominations and different series, prescribed by the indenture supplemental hereto by which such Bonds shall be created as provided in Section 2.05, and in all other respects not inconsistent with the terms of this Indenture. The Board of Directors may, at the time of the creation of any series, or at any time thereafter, limit the maximum principal amount of Bonds of such series which may be issued and an appropriate insertion in respect of such limitation may, but need not, be made in the Bonds of such series.

Section 2.03. Series of Bonds. All Bonds of the same series shall be identical in tenor and effect, except as hereinafter in this Section provided, and except that the same may be of different denominations, shall consist of registered Bonds without coupons, and may contain such variations in tenor and effect as are incidental to such differences. Each Bond of each series shall be dated as of the last interest payment date to which interest was paid upon Bonds of such series, unless issued on an interest payment date to which interest was paid upon Bonds of such series, in which event it shall be dated as of the date of issue, or if the date of issue shall be a date prior to the first interest payment date for the Bonds of such series, then unless the supplemental indenture pursuant to which the Bonds of such Series are being created and issued provides otherwise, such Bonds shall bear interest from, and shall be dated as of, the date of initial issuance of such Bonds. Each such Bond shall bear interest from the date thereof.

Section 2.04. Form and Denomination. The form and text of the Bonds of each series shall be established by the provisions of the supplemental indenture creating such series. The Bonds of each series shall be of such denomination or denominations, interchangeable as between denominations or not so interchangeable, as shall be determined by the Board of Directors at the time such series is created. The Bonds of each series shall be payable on such date or dates as may be fixed by the Board of Directors at the time the series is created. Every order of the Company calling for the authentication and delivery of Bonds shall specify the denomination and series, permitted by the terms of this Indenture, in which the Bonds shall be issued and authenticated.

All Bonds shall be payable as to principal, interest and premium, if any, in lawful money of the United States of America.

Section 2.05. Supplemental Indenture Creating New Series. The Bonds of each series shall be created by an indenture supplemental hereto, authorized by a Resolution and delivered to the Trustee. Such supplemental indenture shall include such lawful provisions consistent with the terms of this Indenture as the Board of Directors shall prescribe:

(1) With respect to the payment of the principal of and interest on the Bonds of such series without deduction for and/or with respect to reimbursement of specified taxes, assessments or other governmental charges;

(2) With respect to the right of the Company to redeem Bonds of such series, the redemption price or prices at which they may be redeemed and the time or times, the class or classes, and the manner of their redemption;

(3) With respect to sinking or improvement funds; and

(4) With respect to serial maturities, exchangeability, convertibility or other special terms and conditions, including the issuance of Bonds which are to be issued in exchange for other securities.

Section 2.06. Request for Authentication and Delivery of Bonds. Whenever requesting the authentication and delivery of any Bonds issuable under Articles IV, V or VI, the Company shall furnish the Trustee, in addition to any other instruments elsewhere in this Indenture required, the following:

(1) A Resolution requesting the Trustee to authenticate and deliver the Bonds, specifying the series, maturities (if Bonds of such series are of serial maturities), and principal amount of Bonds called for, and designating the officer or officers of the Company to whom or upon whose order they shall be delivered;

(2) In case the Bonds to be authenticated and delivered are of a series not theretofore created, an indenture supplemental hereto authorized by a Resolution as prescribed by Section 2.05 (all Bonds of such series which may be executed, authenticated and delivered hereunder shall conform to the terms expressed in such supplemental indenture); and

(3) An Opinion of Counsel that all instruments furnished the Trustee conform to the requirements of this Indenture, constitute sufficient authority under this Indenture for it to authenticate and deliver the Bonds applied for, that said Bonds when issued and delivered will be valid and duly secured by the lien of this Indenture, and that all laws and requirements in respect of the authentication and delivery thereof by the Trustee have been complied with.

Section 2.07. Execution, Authentication, Delivery. All Bonds issued hereunder and secured hereby from time to time shall be executed on behalf of the Company by its President or a Vice-President, and its corporate seal shall be thereunto affixed and attested by its Treasurer or an Assistant Treasurer. The Bonds shall then be delivered to the Trustee for authentication by it, and thereupon, upon compliance with the requirements of and as provided in this Indenture and not otherwise, the Trustee shall authenticate and deliver the same.

In case any officer who shall have signed, sealed or attested any of said Bonds shall cease to be an officer of the Company before the Bonds so signed, sealed or attested shall have been authenticated or delivered by the Trustee, or issued, such Bonds may nevertheless be issued, authenticated and/or delivered as though such person who signed, sealed or attested such Bonds had not ceased to be an officer of the Company and also any Bond may be signed, sealed or attested on behalf of the Company by such person as at the actual date of the execution of such Bond shall be the proper officer of the Company, although at the date of such bond such person was not an officer of the Company.

Only such of the Bonds (whether temporary or definitive) as shall have been authenticated by the Trustee, by signing the certificate endorsed thereon, shall be secured by this Indenture, or shall be entitled to any lien or benefit hereunder, and such certificate of the Trustee shall be conclusive evidence and the only evidence that the Bonds so authenticated have been duly issued hereunder, and are entitled to the benefit of the trusts hereby created.

Section 2.08. Registration of Holders. The Company shall keep books at the principal office of the Trustee for the registration and transfer of Bonds. Such books shall, in addition to the name of the holder of each registered Bond, show the address of each such holder.

Such registrations and discharges from registration shall be made under such reasonable regulations as the Company may prescribe and for which the Company may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect thereto and the charges of the Trustee, all such charges to be paid by the party requesting such registration or discharge from registration as a condition precedent to the exercise of such privilege.

No transfer of Bonds shall be valid unless made on said books by the registered holder in person, or by his duly authorized attorney, and similarly noted on the Bond. Upon presentation to the Trustee of any Bond accompanied by written instrument of transfer, in a form approved by the Trustee, executed by the registered owner thereof or by his duly authorized attorney, and upon the surrender and cancellation of such Bond, a new Bond or Bonds of the same series and maturity date and for the same aggregate principal amount will be issued to the transferee in exchange therefor.

Unless otherwise provided in the supplemental indenture creating the particular series of Bonds, upon any transfer of Bonds permitted hereunder, the Company will make no service charge against the holder of such Bonds or his transferee for any transfer, but the Company, at its option, may require the payment of a sum sufficient to reimburse it for any tax or governmental charge that may be imposed thereon. All Bonds surrendered in connection with any such transfer

shall be forthwith canceled by the Trustee, and upon demand the Trustee shall deliver the same to the Treasurer of the Company or upon his written order.

The Company shall not be required to make any transfer or transfers of any Bond or Bonds during the 15 days next preceding any date on which interest or principal is required to be paid thereon or with respect thereto nor may any transfer be required with respect to any Bonds that have been called for redemption.

Section 2.09. Persons Deemed Owners. The Company and the Trustee shall treat the person in whose name any Bond shall be registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal of such Bond and for all other purposes, and neither the Company nor the Trustee shall be affected by any notice to the contrary.

Section 2.10. Mutilated, Destroyed, Lost and Stolen Bonds. Upon receipt by the Company and the Trustee of evidence satisfactory to them of the loss, theft, destruction or mutilation of any Bond, and of indemnity satisfactory to them and upon surrender and cancellation of such Bond, if any, if mutilated, the Company may execute, and the Trustee may authenticate and deliver, a new Bond of the same series and of like tenor, to be issued in lieu of such lost, stolen, destroyed or mutilated Bond. Such new Bond may bear such endorsement as may be agreed upon by the Company and the Trustee. The Company may require the payment of a sum sufficient to reimburse it for all expenses in connection with the issue of each new Bond under this Section. Any new Bond issued under the provisions of this Section in lieu of any Bond lost, stolen, destroyed or mutilated shall constitute an original, additional, contractual obligation of the Company and shall be secured equally and ratably with all other Bonds Outstanding.

Neither the Company nor the Trustee shall be under any duty or liability to issue a new Bond in substitution for or in lieu of any Bond lost, stolen, destroyed or mutilated except under the provisions of this Section.

Section 2.11. Temporary Bonds. Until definitive Bonds of any series are ready for delivery, the Company may execute and the Trustee shall authenticate and deliver, in lieu of such definitive Bonds, temporary typewritten or printed Bonds, in registered form, substantially of the tenor of the bond hereinbefore described, with appropriate omissions, variations and insertions and with or without appropriate provisions with respect to registration of the principal of such Bonds. Such temporary Bonds may be in such denominations as the Company may determine. Until exchanged for definitive Bonds, such temporary Bonds shall be entitled to the lien and benefit of this Indenture. Upon such exchange, which shall be made at the principal office of the Trustee by the Company, at its own expense and without making any charge therefor, such temporary bond, shall be cancelled, and if the Company so directs, incinerated by the Trustee, and upon the exchange of all said Bonds, said Bonds so cancelled or a certificate of such incineration shall be delivered to the Company. Until such definitive Bonds are ready for delivery, the holder of one or more temporary Bonds may, with the consent of the Company, exchange the same on the surrender thereof to the Trustee for cancellation, and shall be entitled to receive a temporary bond or temporary Bonds of like aggregate principal amount of the same series and maturity in other authorized denominations indicated by such holder.

ARTICLE III

BONDS OF THE MERGER DATE SERIES

The Bonds of each Merger Date Series shall have the terms, rates and other provisions specified in the respective supplemental indenture pursuant to which such Merger Date Series was issued which shall remain the same except as otherwise herein or hereinafter modified. The text of the Bonds of each Merger Date Series and of the authentication certificate of the Trustee shall be, respectively, substantially of the tenor and effect recited in the form of bond contained in the supplemental indenture pursuant to which such Series was issued and shall remain the same except as otherwise herein or hereinafter provided. As used herein, a "Merger Date Series" of Bonds shall mean Bonds of each of the following series of the Company's First Mortgage Bonds issued under the Indenture on or prior to the Merger Date which has the following principal amount of Bonds Outstanding on the Merger Date and "Exchange Bonds" shall mean the Company's First Mortgage Bonds described in clauses (iv), (v) and (vi) hereof delivered on the Merger Date in exchange for the Exeter Bonds indicated:

(i) $6,000,000 aggregate principal amount of the Company Series I, 8.49% Bonds due October 14, 2024;

(ii) $10,000,000 aggregate principal amount of the Company Series J, 6.96% Bonds due September 1, 2028;

(iii) $7,500,000 aggregate principal amount of the Company Series K, 8.00% Bonds due May 1, 2031;

(iv) $9,000,000 aggregate principal amount of the Company Series L, 8.49% Bonds due October 14, 2024, in the form and containing the terms and conditions set forth in Exhibit C attached hereto, issued on the Merger Date in exchange for the Exeter Series K, 8.49% Bonds due October 14, 2024;

(v) $10,000,000 aggregate principal amount of the Company Series M, 6.96% Bonds due September 1, 2028, in the form and containing the terms and conditions set forth in Exhibit D attached hereto, issued on the Merger Date in exchange for the Exeter Series L, 6.96% Bonds due September 1, 2028; and

(vi) $7,500,000 aggregate principal amount of the Company Series N, 8.00% Bonds due May 1, 2031, in the form and containing the terms and conditions set forth in Exhibit D attached hereto, issued on the Merger Date in exchange for the Exeter Series M, 8.00% Bonds due May 1, 2031.

The principal of and the premium, if any, and the interest on the Bonds issued on or prior to the Merger Date shall be payable at the principal office and place of business of the Trustee in Concord, County of Merrimack in the State of New Hampshire (or, if there be a successor to said Trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

Exchange Bonds shall be issued on the Merger Date under Article IV without the requirement of using any Net Bondable Expenditures for such issuance but otherwise in compliance with Article IV.

The Bonds of each Merger Date Series shall be redeemable at the price and on the conditions stated in the supplemental indenture to this Indenture pursuant to which such Merger Date Series was issued, any such redemption to be effected in accordance with the provisions of Article Fourteen of this Indenture.

ARTICLE IV

BONDS AGAINST PROPERTY ADDITIONS

Section 4.01. Definitions for Issuing Bonds Against Property Additions. For the purposes of this Indenture each of the following terms shall be construed to have the meaning hereinafter specified respectively:

(A) Fixed Property, Property Additions. The term "Fixed Property" shall mean the sum of all of the physical property, plant and equipment, real, personal and mixed wherever located which is of such a nature as under sound accounting practice to be properly chargeable to fixed capital account and is in fact so charged, and which is used or is to be used as a part of its permanent and fixed investment in its business as an electric public utility company. Such term shall not, however, include (a) any property of the nature of that expressly excluded from the lien of this Indenture by the Granting Clauses hereof; (b) the cost of any paving or other public improvement assessed against the Exeter or the Company (as the case may be) by, or paid by Exeter or the Company (as the case may be) to, any taxing authority; or (c) any good will or going concern value or value attributable to any franchise or governmental permit except to the extent reflected in the fair value of Purchased Property as evidenced by an Independent Engineer's Certificate;

The term "Property Additions" shall mean the sum of the following (without duplication): (i) Fixed Property of Exeter located within the State of New Hampshire which Exeter was authorized to use and operate in its business as a public utility company and which was used or useful in such business and was constructed or acquired (by purchase consolidation, merger or in any other way) during the period after June 30, 1952 and to, but not including the Merger Date (the "Exeter Pre-Merger Property Additions"), (ii) Fixed Property of the Company located within the State of New Hampshire which the Company was authorized to use and operate in its business as an electric public utility company and which was used or useful in such business and was constructed or acquired (by purchase, consolidation, merger or in any other way) during the period after May 31, 1958 to, but not including the Merger Date (the "Company Pre-Merger Property Additions"), and (iii) Fixed Property of the Company located within the State of New Hampshire which the Company is authorized to use and operate in its business as an electric public utility company and which is used or useful in such business and

constructed or acquired (by purchase, consolidation, merger or in any other way) during the period beginning on and including the Merger Date through the date of calculation but excluding Exeter Pre-Merger Property Additions (the "Company Post-Merger Property Additions").

When calculating "Property Additions" in the above paragraph, such term shall not, however, include (1) any leasehold interest in property or, unless the same shall be movable physical property and shall constitute personal property in the opinion of counsel, any permanent improvements constructed on property held under lease (but shall include rights of way and easements, any electric distribution, transmission or service lines and equipment and appurtenances thereto located on and such right of way or easement or on any property of customers or on any leased property or located upon any street, alley or public place of any municipality or upon any public highway), or (2) any property subject to any lien or other encumbrance except permitted encumbrances and the lien hereof. Nothing herein contained, however, shall prevent property meeting the definition of Property Additions as herein in this Section set forth in all respects except that at the time of its construction or acquisition it was subject to such a lien or other encumbrance, from constituting "Property Additions" upon the removal of such lien or other encumbrance.

Property Additions need not consist of a specific or complete accession, addition or improvement or complete new property but may include construction work in progress, if carried in plant accounts in accordance with sound accounting practice, whether capable of complete description and identification or not.

(B) Purchased Property. The term "Purchased Property" shall mean any Property Additions devoted to public service at or within a year before the time of their acquisition by Exeter or the Company (as the case may be);

(C) Gross Expenditures for Property Additions, Gross Expenditures. The term "Gross Expenditures" shall mean the lesser of:

(1) the fair value of the Property Additions acquired therefor as of the date of and as evidenced by an engineer's certificate or, if such Property Additions include Purchased Property, as of the date of and as evidenced by an independent engineer's certificate, and

(2) the aggregate of (i) the market value or, in the absence thereof, the fair value of any securities or other property of Exeter or the Company (as the case may be) exchanged for Property Additions as of the date of and as evidenced by an independent engineer's certificate and (ii) any cash payments made or monetary obligations (not represented by securities) incurred for Property Additions.

The term "Gross Expenditures for Property Additions" shall mean the sum of the following (without duplication): (i) Gross Expenditures for Exeter for the Exeter

Pre-Merger Property Additions (the "Exeter Pre-Merger Gross Expenditures for Property Additions"), (ii) Gross Expenditures for the Company for the Company Pre-Merger Property Additions (the "Company Pre-Merger Gross Expenditures for Property Additions"), and (iii) Gross Expenditures for the Company for the Company Post-Merger Property Additions (the "Company Post-Merger Gross Expenditures for Property Additions");

(D) Retirements. The removal, replacement, abandonment, permanent withdrawal from use, destruction, loss from any cause, sale, taking under power of eminent domain or other disposition of Fixed Property of Exeter or the Company (as the case may be) shall constitute a Retirement of such property.

As applied to any period, the term "Retirements" shall mean the aggregate cost of all Fixed Property retired by Exeter or the Company during such period (as the case may be). For the purposes of this definition the cost of Fixed Property shall mean, in the case of Property Additions, the Gross Expenditures made therefor at the time they became Property Additions and, in the case of Fixed Property not constituting Property Additions, its gross book value as recorded on Exeter's or the Company's (as the case may be) books. No reduction in book values of property recorded in Exeter's or the Company's (as the case may be) plant accounts nor the transfer of any amount appearing in any such account to intangible or adjustment accounts, arising out of adjustments required to be made by any regulatory body or otherwise, nor the elimination of any account so transferred, otherwise than in connection with the actual retirement of Fixed Property, shall be taken into account in determining Retirements;

(E) Net Retirements. The term "Net Retirements" shall mean the sum of the following (without duplication): (i) the aggregate amount of all Retirements made by Exeter under the Exeter Indenture during the period from June 30, 1952 to, but not including, the Merger Date in excess of the aggregate amount of all moneys received by or deposited with the Trustee under the Exeter Indenture during such period pursuant to the provisions of Sections 8.10, 8.12, 11.03, 11.04 and 11.04A thereof (the "Exeter Pre-Merger Net Retirements"), (ii) the aggregate amount of all Retirements made by the Company during the period from May 31, 1958 to, but not including, the Merger Date in excess of the aggregate amount of all moneys received by or deposited with the Trustee during such period pursuant to the provisions of Sections 8.10, 8.12, 10.03, 10.04 and 10.04A hereof (the "Company Pre-Merger Net Retirements") and (iii) the aggregate amount of all Retirements made by the Company during the period beginning on and including the Merger Date through the date of calculation in excess of the aggregate amount of all moneys received by or deposited with the Trustee during such period pursuant to the provisions of Sections 8.10, 8.12, 10.03, 10.04 and 10.04A hereof (the "Company Post-Merger Net Retirements");

(F) Net Expenditures for Property Additions, Net Expenditures. The term "Net Expenditures for Property Additions", herein sometimes referred to as "Net Expenditures" shall mean the sum of the following (without duplication): (i) the aggregate amount of Exeter Pre-Merger Gross Expenditures for Property Additions,

minus Exeter Pre-Merger Net Retirements ("Exeter Pre-Merger Net Expenditures"), (ii) the aggregate amount of Company Pre-Merger Gross Expenditures, minus Company Pre-Merger Net Retirements ("Company Pre-Merger Net Expenditures") and (iii) the aggregate amount of Company Post-Merger Gross Expenditures for Property Additions, minus Company Post-Merger Net Retirements ("Company Post-Merger Net Expenditures");

(G) Bonded Expenditures. The term "Bonded" or "Bonded Expenditures" as applied to Net Expenditures for Property Additions shall mean the sum of (without duplication): (i) Exeter Pre-Merger Net Expenditures as have been used by Exeter as the basis for the issuance of bonds under the Exeter Indenture, the withdrawal of cash or other credit under any provision of the Exeter Indenture prior to the Merger Date (the "Exeter Pre-Merger Bonded Expenditures"), (ii) Company Pre-Merger Net Expenditures as have been used by the Company as the basis for the issuance of Bonds, the withdrawal of cash or the taking of other credit under the provision of this Indenture prior to the Merger Date (the "Company Pre-Merger Bonded Expenditures") and (iii) Company Post-Merger Net Expenditures as have been used as the basis for the issuance of Bonds, the withdrawal of cash or the taking of other credit under the provisions of this Indenture, on or after the Merger Date (the "Company Post-Merger Bonded Expenditures"); provided, however, (A) the Exeter Pre-Merger Net Expenditures which were bonded on the basis of a ratio of bonds issued or cash withdrawn or other credit taken under the Exeter Indenture of 60% of Net Expenditures for Property Additions shall be recalculated as of the Merger Date as though all such bonds so issued or cash withdrawn or other credit taken under the Exeter Indenture were bonded on the basis of a ratio of 68% of Net Expenditures for Property Additions rather than a ratio of 60%, all as calculated in Annex B to Exhibit A hereof, and the term "Exeter Pre-Merger Bonded Expenditures" shall reflect and mean the amount of bonded Net Expenditures for Property Additions so calculated, and (B) the Company Pre-Merger Net Expenditures used as a basis for bonds issued or cash withdrawn or other credit taken under the Indenture shall be bonded on the basis of a ratio of 68% of Net Expenditures for Property Additions, all as calculated in Annex C to Exhibit A hereof, and the term "Company Pre-Merger Bonded Expenditures" shall reflect and mean the amount of bonded Net Expenditures for Property Additions so calculated;

(H) Net Bondable Expenditures for Property Additions, Net Bondable Expenditures. The term "Net Bondable Expenditures for Property Additions," herein sometimes, referred to as "Net Bondable Expenditures," shall mean as of any specified date the sum of (without duplication): (i) the excess of Exeter Pre-Merger Net Expenditures over Exeter Pre-Merger Bonded Expenditures (the "Exeter Pre-Merger Bondable Expenditures"), (ii) the excess of Company Pre-Merger Net Expenditures over Company Pre-Merger Bonded Expenditures (the "Company Pre-Merger Bondable Expenditures") and (iii) the excess of Company Post-Merger Net Expenditures over Company Post-Merger Bonded Expenditures (the "Company Post-Merger Bondable Expenditures"); and

(I) Certificate of Net Bondable Expenditures, New Gross Expenditures, New Property Additions. The term "Certificate of Net Bondable Expenditures" shall mean an Officers' Certificate in substantially the form attached hereto as Exhibit B which shall include:

(i) a statement of the aggregate amount of "Gross Expenditures" (herein sometimes called "New Gross Expenditures") which have not been included in any previous such certificate; a description in reasonable detail of the Property Additions (sometimes hereinafter called "New Property Additions") for which such expenditures were made; and a statement as to whether or not any of such New Property Additions constitute Purchased Property and, if so, a statement of the New Gross Expenditures made therefor;

(ii) a statement of the aggregate amount of Retirements not included in any previous such certificate and in so far as they represent specific physical property, a description in reasonable detail of such property.

Section 4.02. Definitions for Earnings Test. For the purposes of this Indenture each of the following terms shall be construed to have the meaning hereinafter specified respectively:

(A) Gross Operating Revenues. The term "Gross Operating Revenues" as applied to any period shall mean gross receipts of the Company from its business as an electric public utility company for such period and shall not include income derived from stocks, Bonds or other securities or gains arising from appreciation in value or from the sale or other disposition of fixed capital assets of the Company or of stocks, Bonds or other securities.

(B) Earnings Available for Interest Charges. The term "Earnings Available for Interest Charges" as applied to any period shall mean the amount by which the aggregate Gross Operating Revenues of the Company for such period exceeds all operating expenses of every character (except interest charges on indebtedness of the Company) for such period, such expenses to include (but not to be limited to) rents, insurance premiums, expenditures for maintenance, reasonable charges against income for the establishment of a reserve for depreciation (not less than the amounts required to be charged therefor pursuant to Section 8.05), all taxes (except any Federal and State taxes based directly or indirectly on income, including any State of New Hampshire taxes in the nature of a gross receipts tax which the Company is entitled to recover from its customers in its rates), and all other expenses in connection with its business as an electric public utility company, computed if a uniform system of accounts is prescribed by any commission or other governmental body having jurisdiction in the premises in accordance with such uniform system, otherwise in accordance with accepted accounting practice.

(C) Earnings Available for Interest Charges Certificate, Annual Interest Requirements. The term "Earnings Available for Interest Charges Certificate" shall mean an officers' certificate:

(i) stating the Earnings Available for Interest Charges of the Company for a period of twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the first day of the month in which the application for the authentication and delivery under this Indenture of Bonds then applied for or other application is made; and

(ii) stating the aggregate annual charges for interest on all indebtedness of the Company outstanding at the date of such application (except any for the refunding of which Bonds applied for are to be issued) and on all Bonds then to be issued hereunder, said aggregate sum being sometimes herein referred to as the "Annual Interest Requirements."

For the purposes of such Earnings Available for Interest Charges Certificate, Earnings Available for Interest Charges of the Company (i) shall include for such twelve months period Earnings Available for Interest Charges computed in the same manner as are those of the Company derived by predecessors from all Purchased Property acquired within such twelve months period or about to be acquired by the Company, Gross Expenditures for which have been included in a prior Certificate of Net Bondable Expenditures or are included in the Certificate of Net Bondable Expenditures in connection with which such Earnings Available for Interest Charges Certificate is being filed, (ii) if any Property Additions are disposed of (a "Disposition") within such twelve months period or about to be disposed of by the Company, for such twelve months period Earnings Available for Interest Charges shall be computed in the same manner as though such Disposition occurred on the first day of such period, and (iii) for any such twelve months period which includes one or more days prior to the Merger Date, Earnings Available for Interest Charges for Exeter shall be computed in the same manner as are those of the Company and as though Exeter had merged into the Company on the first day of such twelve months period. Any increase or decrease in Gross Operating Revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period for which the computation of the Earnings Available for Interest Charges Certificate is based shall be annualized for such Certificate and there shall also be annualized for such Certificate the related fixed expenses and charges as are known to the principal officers of the Company.

Section 4.03. General Provisions. Additional Bonds, executed pursuant to the provisions of this Article and Articles Five and Six hereof shall be authenticated by the Trustee and delivered to or upon the order of the Company upon the receipt by the Trustee of the following documents in addition to the documents specified elsewhere in said three Articles:

(a) The documents specified in Section 2.06 hereof;

(b) A Resolution authorizing the execution and authentication of such Bonds together with a Stockholders Resolution authorizing the issuance of such Bonds under the provisions hereof or, in the alternative, an opinion of counsel to the effect that no such Stockholders Resolution is necessary for the issue or validity of such Bonds or to entitle the same to the security and lien hereof;

(c) A certified copy of an order issued by each such commission or other body or official as at the time shall, under any pertinent law, have power or authority over the issuance of Bonds hereunder or over the subjection of the mortgaged property or any part thereof to liens, authorizing the issuance of such Bonds, together with an opinion of counsel to the effect that any order or orders tendered are sufficient in the connections aforesaid, or, in the alternative, an opinion of counsel to the effect that no such order is requisite in respect of such additional Bonds or in respect of the lien hereof for the security of such Bonds to render such Bonds the valid obligations of the Company and the lien hereof effective for the security thereof; and

(d) A receipt or other evidence satisfactory to the Trustee establishing the payment of any stamp, recording or other tax required by law to be paid in connection with the issuance of such additional Bonds or for the effectiveness of the lien of this Indenture for the security thereof, together with an opinion of counsel to the effect that the taxes paid constitute all taxes of either nature aforesaid, or in the alternative an opinion of counsel to the effect that payment of no such tax is requisite in this connection or for the purposes aforesaid.

Section 4.04. Additional Bonds Against Property Additions Issuance Tests. Additional Bonds of any series other than the Exchange Bonds issued after the execution and delivery of the Twelfth Supplemental Indenture may be issued hereunder to the extent of sixty-eight per cent (68%) of Net Bondable Expenditures for Property Additions as shown by the Certificate of Net Bondable Expenditures required by subparagraph (1) of Section 4.05 hereof provided that the Earnings Available for Interest Charges as shown by the certificate required by subparagraph (3) of said Section 4.05 hereof are equal at least to two (2) times the Annual Interest Requirements stated in such certificate.

Section 4.05. Documents Required for Authentication of Bonds. When requesting the authentication of Bonds pursuant to this Article the Company shall deliver to the Trustee:

(1) A Certificate of Net Bondable Expenditures dated as of a date within sixty (60) days of the date on which such Bonds are to be issued;

(2) An Officers' Certificate dated as of the date of the delivery of such Bonds stating that:

(i) the amount, if any, shown in Item (12) of the certificate referred to in (1) above plus Gross Expenditures for Property Additions since the date of said certificate exceeds Net Retirements since the date of said certificate;

(ii) the Company is not in Default hereunder;

(3) An Earnings Available for Interest Charges Certificate; and

(4) If there be included in such Certificate of Net Bondable Expenditures any New Gross Expenditures, the following:

(i) An Engineer's Certificate dated as of the date of such Certificate of Net Bondable Expenditures (such engineer's certificate, if such Certificate of Net Bondable Expenditures includes any considerations other than cash or if the New Property Additions thereby acquired include Purchased Property, either to be an independent engineer's certificate or the statements therein contained with respect to considerations other than cash and/or Purchased Property to be those of an independent engineer, the scope of whose signature and verification thereof may be limited to such matters):

(a) stating that the signer has examined and inspected such Property Additions and that their construction or acquisition was reasonable from the standpoint of the Company and of the bondholders;

(b) setting forth their fair value as of the date of such certificate after deducting proper depreciation, if any, and if such Property Additions include Purchased Property, deducting any portion thereof not useful in the conduct of the Company's business as an electric public utility company;

(c) setting forth, as of the date of such certificate, the market value or, if none, the fair value of any securities, or other property included in such New Gross Expenditures;

(d) stating that the amount of such New Gross Expenditures included in said Certificate of Net Bondable Expenditures does not exceed the fair value of the Property Additions acquired thereby; and

(e) if the Opinion of Counsel responsive to (ii) of this subparagraph (4) sets forth any Permitted Encumbrances, stating that such Permitted Encumbrances do not impair the use of the property to which they pertain for the purposes for which such property is held by the Company;

(ii) An Opinion of Counsel stating that the Company has good and marketable title to such Property Additions free from all encumbrances excepting the lien of this Indenture and Permitted Encumbrances, specifying any such Permitted Encumbrances, and if any thereof consist of liens for taxes, assessments or governmental charges which are delinquent and the validity of which the Company is contesting in good faith, stating that none of the trust estate will be in danger of being lost or forfeited by reason thereof;

(iii) An indenture supplemental hereto or other instrument or instruments of conveyance specifically subjecting such Property Additions to the lien hereof together with an Opinion of Counsel stating that such supplemental indenture or other instrument or instruments are sufficient, and no other documents are required, to subject such Property Additions to the lien hereof as a direct first mortgage lien, or, in the alternative, an Opinion of Counsel to the

effect that such additions are so subject without any such indenture or other instrument.

ARTICLE V

BONDS FOR REFUNDING PURPOSES

Section 5.01. General Provisions. Additional Bonds of any series may, from time to time, be executed by the Company and delivered to the Trustee for or on account of the payment, purchase and cancellation, redemption or other discharge at, before or after maturity, of Available Bonds theretofore authenticated under this Indenture in an aggregate principal amount equal to the aggregate principal amount of such Available Bonds, and the Trustee shall, subject to the provisions of this Article, authenticate and deliver the same to or upon the Order of the Company upon receipt by the Trustee of:

(1) The documents required by the provisions of Section 4.03 hereof;

(2) Bonds theretofore authenticated and delivered hereunder; provided, however, that in lieu of Bonds which have been called for redemption or are then about to mature it shall be sufficient if funds in an amount sufficient to redeem or pay the same shall have been deposited with the Trustee and made presently available for payment to the holders of such Bonds and evidence furnished to the satisfaction of the Trustee that notice of any such redemption has been duly given, or provided for, or waived;

(3) An Officers' Certificate, dated as of the date of the delivery of such additional Bonds, stating that the Company is not in Default hereunder and that all of the Bonds proposed to be refunded constitute Available Bonds.

Section 5.02. Issuance Requirements. No Bonds shall be authenticated and delivered under the provisions of this Article except (i) Bonds which bear an interest rate no higher than that of the Bonds which they are to refund or (ii) Bonds issued to refund Bonds which have been Outstanding more than five years and which have an expressed maturity not later than two years from the date on which such refunding Bonds are to be issued, unless an Earnings Available for Interest Charges Certificate shall have been filed from which it shall appear that the Earnings Available for Interest Charges of the Company for the period covered by such certificate were at least equal to two times the Annual Interest Requirements therein stated.

ARTICLE VI

BONDS AGAINST CASH

Section 6.01. General Provisions. Additional Bonds of any series may be issued under this Indenture from time to time equal in principal amount to the amount of cash at the time deposited with the Trustee provided, nevertheless, that no Bonds shall be issued against cash required to be deposited with the Trustee under any provisions of this Indenture. Bonds so issued

may be executed by the Company and delivered to the Trustee and the Trustee shall authenticate and deliver the same to or upon the order of the Company upon receipt of:

(1) The documents required by the provisions of Section 4.03 hereof;

(2) An officers' certificate dated as of the date of the delivery of such Bonds stating that the Company is not in Default hereunder;

(3) An Earnings Available for Interest Charges Certificate;

(4) Cash in an amount equal to the principal amount of the Bonds to be authenticated;

if it shall appear by the Earnings Available for Interest Charges Certificate responsive to subparagraph (3) of this Section that the Earnings Available for Interest Charges for the period covered by such certificate are at least equal to two (2) times the Annual Interest Requirements therein stated.

Section 6.02. Cash Withdrawal Requirements. Cash received by and on deposit with the Trustee under the provisions of this Article after the execution and delivery of the Twelfth Supplemental Indenture may on orders of the Company be withdrawn, from time to time, to the extent of sixty-eight per cent (68%) of Net Bondable Expenditures for Property Additions as shown in the pertinent certificate responsive to subparagraph (1) of this Section, upon receipt by the Trustee of:

(1) A Certificate of Net Bondable Expenditures dated as of a date within sixty (60) days of the date on which such cash is to be withdrawn;

(2) An Officers' Certificate dated as of the date of the withdrawal of such cash stating that

(a) the amount, if any, shown in Item (12) of the certificate referred to in (1) above plus Gross Expenditures for Property Additions since the date of said certificate exceeds Net Retirements since the date of said certificate, and

(b) the Company is not in Default hereunder;

(3) If there be included in such Certificate of Net Bondable Expenditures any New Gross Expenditures, the documents required by (i), (ii) and (iii) of subparagraph (4) of Section 4.05 hereof.

ARTICLE VII

REDEMPTION OF BONDS

Section 7.01. Manner of Redemption. Whenever the Company shall determine to exercise any optional right it may have to redeem Bonds of any series issued hereunder, it shall file with the Trustee not less than sixty days prior to the date fixed for the redemption of such Bonds, a Resolution specifying the principal amount of and designating the series of Bonds to be redeemed and shall, on or before the date fixed for redemption, deposit with the Trustee sufficient moneys to redeem such Bonds and pay to the Trustee its proper expenses and charges in connection with such redemption.

Section 7.02. Selection of Bonds to Be Redeemed. The selection of Bonds (or, in case of fully registered Bonds, of portions thereof) to be redeemed shall, in case less than all of the Outstanding Bonds of any series are to be redeemed, be made by the Trustee as follows:

(a) The particular Bonds of such series to be redeemed in whole or in part shall be designated by the Trustee not more than 60 days nor less than 30 days prior to the date fixed for such redemption by proration so that the principal amount to be redeemed of Bonds of such series then held by each holder shall bear the same ratio to the total principal amount of all Bonds of such series then to be redeemed as the total principal amount of all Bonds of such series then held by such holder bears to the total principal amount of all Bonds of such series then Outstanding; provided, however, that (i) the Trustee in making any proration pursuant to this Section shall make such adjustments as it shall deem proper to the end that the principal amount of Bonds so redeemed shall be $1,000 or a multiple thereof, by increasing or decreasing the amount which would be allocable to any holder on the basis of exact proration by an amount not exceeding $1,000 and (ii) if there shall have been previously filed with the Trustee a written consent of all holders of Bonds of such Series specifying some other method of selecting Bonds of such series to be redeemed such selection shall be made by the Trustee in accordance therewith; or

(b) If the Trustee shall determine that the selection method described in the foregoing clause (a) shall not then be appropriate, the particular Bonds of such series to be redeemed in whole or in part shall be selected by the Trustee by lot in any manner deemed by it proper.

The Trustee shall promptly notify the Company in writing of the distinctive numbers of the Bonds which, or portions of which, have been selected for redemption, and the principal amount thereof to be redeemed in the case of fully registered Bonds of a denomination greater than $1,000.

Section 7.03. Notice of Redemption. Notices of redemption, stating when funds for the redemption are expected to be available to the holders of the Bonds to be wholly or partly redeemed, shall be given to the holders by the Trustee in the name and on behalf of the Company. Redemption notices for all Bonds issued hereunder, unless otherwise provided in the

supplemental indenture creating a particular series, shall be mailed as hereinafter provided not more than 60, nor less than 30, days prior to the date fixed for redemption. The Trustee in the name and on behalf of the Company, as the case may be, shall send a copy of such notice to the registered owner of each Bond, so called for redemption, by certified mail, postage prepaid, addressed to him at his last known address as it appears upon the bond register.

Whenever notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to such notice. Any such waiver of notice by the holders of Bonds shall be filed with the Trustee.

Section 7.04. Redemption Price. Each notice of redemption shall specify the price at which such Bonds are to be redeemed, the series, date of maturity, date of redemption, and if less than all of the Bonds outstanding of a specified series are to be redeemed, the serial numbers of such Bonds.

Section 7.05. Partial Redemption of Bonds. In case any Bond is to be redeemed in part only, such notice shall specify the principal amount thereof to be redeemed and shall state that at the election of the registered owner of such Bond and upon surrender thereof for redemption, a new Bond or new Bonds of that series in aggregate principal amount equal to the unredeemed portion of such Bond will be issued in lieu thereof, and, in such case, the Company shall execute and the Trustee shall authenticate and deliver such new Bond or Bonds to or upon the written order of the registered owner of such Bond at the expense of the Company, provided, however, that the Trustee may pay interest, premium (if any) and principal upon any Bond without surrender or presentation thereof if any holder which is a bank, trust company or insurance company that the Trustee deems responsible files with the Trustee an agreement pursuant to which such holder agrees that (A) it will not sell, transfer or otherwise dispose of any such Bond with respect to which such redemption has been made unless either (i) it shall have made a notation thereon of the principal so redeemed or (ii) the Bond shall have been presented to the Trustee for such notation or (iii) such Bond shall have been surrendered in exchange for a new Bond having a principal amount equal to the unredeemed portion and (B) it will present the Bond to the Trustee before being paid the entire remaining principal balance of such Bond.

Section 7.06. Deposited Moneys for Redemption. All moneys deposited with or held by the Trustee for the redemption of Bonds shall be held upon the trusts hereof for the account of the holders of the Bonds designated or selected for redemption.

Section 7.07. Cancellation of Bonds. All Bonds which have been redeemed shall be cancelled by the Trustee, and shall be delivered to or upon the order of the Company and shall not be reissued.

Section 7.08. Payment of Redemption. When notice of redemption of any Bond, or part thereof, shall have been duly given or waived, such Bond, or part thereof, shall become due and payable on the date fixed for redemption in said notice. If the amount necessary to redeem any Bond, or part thereof, called for redemption shall have been irrevocably deposited with the Trustee in trust for the account of and shall be immediately available for payment to the holder of such Bond, and all proper charges and expenses of the Trustee in connection therewith shall have

been paid, and if the notice hereinbefore mentioned shall have been duly given or waived, or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, when all of said conditions shall have been satisfied, (a) the Company (subject to the provisions of Section 16.10) shall be released from all liability on such Bond, or part thereof, so called for redemption, and such Bond, or part thereof, so called for redemption shall no longer be deemed to be Outstanding and shall cease to be entitled to any lien or benefit of or under this Indenture, (b) the holder of such Bond, or part thereof, so called for redemption shall look thereafter for the payment of the principal thereof and premium, if any, and of accrued and unpaid interest, solely to the redemption funds in the hands of the Trustee for payment thereof, and (except as provided in Section 16.10) in no event to the Company, (c) the holder of such Bond shall have the right to receive prepayment of the redemption price thereof, including interest to such redemption date, at any time after the deposit of such redemption price, and (d) after such redemption date, no interest will accrue thereon.

ARTICLE VIII

GENERAL COVENANTS

Section 8.01. Further Actions. The Company covenants that it will faithfully do and perform and at all times faithfully observe any and all covenants, undertakings, stipulations and provisions contained in each and every Bond executed, authenticated and delivered hereunder and in the several and successive Resolutions pursuant to or in observance of the provisions of this Indenture. The Company covenants that it will promptly make, execute, and deliver all further assurances, including all financing and continuation statements covering security interests in personal property, indentures supplemental to the Indenture or other instruments, and take all such further action as may reasonably be by the Trustee, or by its counsel, deemed necessary or advisable for the better securing of any Bonds issued or to be issued hereunder, or for better assuring and confirming to the Trustee the Mortgaged Property or any part thereof. The Company covenants that it will cause this Indenture to be duly recorded and/or filed and to be duly rerecorded and/or refiled at the times and in the places now or hereafter required by law for the proper maintenance of the validity and priority of the lien hereof.

Section 8.02. Payment. The Company covenants that it will promptly pay the principal of and interest on every Bond issued hereunder in lawful money of the United States of America at the dates and places and in the manner prescribed in such Bond and herein. Notwithstanding the above or any other provisions of this Indenture or any Bond issued hereunder, the Company may enter into an agreement with the holder of any Bond providing for the payment to such holder, without presentation or surrender of such Bond, of the principal of (and premium, if any) and interest on such Bond or any part thereof at a place other than as designated therein or in such Bond, providing for the payment to such holder of all or a portion of the principal of and the premium, if any, and interest on such Bond at a place other than the place specified in such Bond as the place for such payment without the necessity in the case of a partial payment of principal, of surrendering the Bond for a new Bond, and in accordance with Section 7.05 for the making of notation of principal payments on such Bond by such holder. The Trustee is authorized to consent to any such agreement and shall not be liable or responsible to any such holder or to the

Company for any act or omission on the part of the Company or any holder of a Bond in connection with any such agreement. The Company covenants it will, prior to the maturity of each installment of interest and prior to the maturity of each such Bond, deposit with the Trustee, or other paying agent appointed with respect to the Bonds of any particular series, in lawful money of the United States of America an amount sufficient to make payments of principal (and premium, if any,) and interest on the Bonds on or prior to the date such payments are due.

Section 8.03. Maintain Title of Property. The Company covenants that, except as to that part of the Mortgaged Property which may hereafter be acquired by it, it is on the Merger Date well seized of the physical properties by it hereby mortgaged or intended so to be and has good right, full power, and lawful authority to make this Indenture and subject such physical properties to the lien hereof in the manner and form herein respectively done or intended; and that it has and, subject to the provisions hereof, will preserve good and indefeasible title to all such physical properties, and will warrant and forever defend the same to the Trustee against the claims of all persons whatsoever.

Section 8.04. Taxes and Assessment; Liens. The Company covenants that it will promptly pay or cause to be paid all lawful taxes, charges and assessments at any time levied or assessed upon or against the Mortgaged Property or any part thereof, and/or the interest of the Trustee and of the holders of the Bonds Outstanding under this Indenture before the same become delinquent, provided, however, that no such tax, charge or assessment shall be required to be paid so long as the validity of the same shall be contested in good faith by appropriate legal proceedings so long as adequate reserves in respect thereof have been established in accordance with GAAP; that there are not outstanding on the Merger Date and that the Company will not at any time create or permit to be created or allow to accrue or to exist any lien or liens prior to the lien of this Indenture upon the Mortgaged Property or any part thereof, or the income therefrom, save only any Permitted Encumbrances and the lien of any mortgage or other lien on any property hereafter acquired by the Company which may exist on the date of, or be created as a vendor's lien or as a purchase money mortgage in connection with, such acquisition; and that neither the value of the Mortgaged Property nor the lien of this Indenture will be diminished or impaired in any way as the result of any action or nonaction on the part of the Company.

Section 8.05. Conduct Business and Maintain Properties. The Company covenants that its business will be carried on and conducted in an efficient manner, and that all of its plants, appliances, systems, equipment and property useful and necessary in the carrying on of its business will be kept in thorough repair and maintained in a state of high operating efficiency in accordance with standards generally acceptable in the utility industry. The Company covenants that it will expend for maintenance and reserve for depreciation whatever amounts may be necessary so to maintain the Mortgaged Property and provide for the Retirement of the depreciable portion of the Mortgaged Property, which amounts shall be not less than those prescribed by any governmental regulatory body having jurisdiction in the premises; and that in any event the Company will charge as an expense and credit to depreciation reserve in each of its fiscal years an amount which shall be not less than 2.3% of the average amount of its depreciable property for such year.

Whenever the holders of at least a majority in principal amount of the Bonds Outstanding shall so request in a written notice served upon the Trustee, but not more frequently than once every five years, the Company shall appoint an Independent Engineer satisfactory to the Trustee to make an inspection of the property of the Company. The Company shall cause such Independent Engineer, within a reasonable time after the date of his appointment, to report to the Company and to the Trustee whether or not the property of the Company is in general being maintained as required by this Section, and whether or not any part of such property that is no longer used or useful in the business of the Company has been duly recorded as retired on its books.

If such Independent Engineer shall report that the property has not been so maintained, he shall state in his report the character and extent and estimated cost of making good such deficiency. The Company shall then proceed with all reasonable speed to do such maintenance work as may be necessary to make good any such maintenance deficiency, whereupon such engineer shall report in writing to the Trustee whether such deficiency has been made good; provided, however, that in case such engineer shall fail or refuse to make such report within such period as the Trustee may deem reasonable, the Trustee may in its discretion appoint another Independent Engineer to make such report. Unless the Trustee shall be so advised in writing by such engineer within one year from the date of any report determining a maintenance deficiency to exist, or such longer period as may be stated in such report to be reasonably necessary for the purpose, that such deficiency has been made good, the Company shall be deemed to have defaulted in the due performance of the covenant as to the maintenance of its property contained in this Section 8.05.

If such Independent Engineer shall report that there is any property no longer used or useful which has not been recorded as retired on the books of the Company, he shall briefly describe such property and state the aggregate Retirement which should be stated on such books with respect thereto. The Company shall then make on its books appropriate entries recording the Retirement of such property.

Section 8.06. Compliance with Underlying Mortgages. The Company covenants that all of the covenants, conditions and agreements of any Underlying Mortgage upon any property hereafter acquired by it will in all respects be fully complied with; that upon the payment of all bonds issued under each such mortgage it will procure such mortgage to be effectively satisfied and discharged of record; that the Company will not issue or permit to be issued any additional bonds secured by any Underlying Mortgage, but that each and every such mortgage shall be effectively closed at the date of the acquisition of such property.

Section 8.07. Acquisition of Property Subject to Underlying Mortgages. The Company covenants that it will not acquire any property which after its acquisition will be subject to any Underlying Mortgage unless prior to the acquisition thereof it shall have filed with the Trustee an Officers' Certificate from which it shall appear that the aggregate of the Earnings Available for Interest Charges of the Company and the Earnings Available for Interest Charges of the property to be acquired, computed in the same manner as are Earnings Available for Interest Charges of the Company in Section 4.02(c), for any consecutive twelve months out of the fifteen calendar months immediately preceding the acquisition of such property is equal to at least two times the

Annual Interest Requirements on all Bonds Outstanding and other indebtedness of the Company for borrowed money, plus all bonds and/or other obligations secured by existing Underlying Mortgages and all bonds and/or other obligations secured by any Underlying Mortgage or other lien (whether or not prior to the lien of this Indenture) upon the property so to be acquired; nor will it acquire any property subject to any Underlying Mortgage securing indebtedness in excess of sixty per cent (60%) of the lesser of:

(a) the fair value of such property to the Company at the date of acquisition thereof; and

(b) the aggregate of (i) the amount of any lien subject to which such property is acquired, (ii) the amount of any purchase money mortgage or vendor's lien created in connection with its acquisition, (iii) any cash payment made therefor, and (iv) the market value, or, in the absence thereof, the fair value of any securities or other property of the Company exchanged therefor;

all as of the date of and as established by an Independent Engineer's Certificate, filed with the Trustee, dated as of the date of the acquisition of such property, unless to offset such part of such indebtedness as shall exceed such percentage there shall be appropriated Net Bondable Expenditures for Property Additions in an amount equivalent to such excess. Such appropriation shall be evidenced by a Resolution deposited with the Trustee together with a Certificate of Net Bondable Expenditures dated as of the date of such appropriation and, if there be included in such Certificate of Net Bondable Expenditures, any New Gross Expenditures, the documents required by (i), (ii) and (iii) of subparagraph (4) of Section 4.05.

The Company further covenants that it will not acquire any property which after its acquisition will be subject to any Underlying Mortgage if such acquisition would operate to increase the aggregate principal amount of all bonds and/or other obligations secured by Underlying Mortgages (other than such bonds and/or other obligations for the purchase, payment or redemption of which cash in the necessary amount shall have been irrevocably deposited with the trustee or mortgagee under the Underlying Mortgage or mortgages securing the same or with the Trustee hereunder) to an amount greater than fifteen per cent (15%) of the aggregate principal amount of all Bonds at the time issued and Outstanding under this Indenture.

Section 8.08. Records of Accounts and Certificate. The Company covenants that proper books of record and account will be kept in which full, true and correct entries will be made of all dealings or transactions of, or in relation to, the plants, properties, business and affairs of the Company, and that it will:

(a) At such times as the Trustee shall reasonably request, furnish statements in reasonable detail showing the earnings, expenses and financial condition of the Company;

(b) From time to time furnish to the Trustee such data as to the plants, property and equipment of the Company, as the Trustee shall reasonably request;

(c) On or before the expiration of one hundred and twenty (120) days after the end of each fiscal year, furnish to the Trustee a full audit and report certified by independent certified public accountants, covering the operations of the Company during such fiscal year, and showing the earnings and expenses for such period, and in reasonable detail, the assets, liabilities and financial condition of the Company at the expiration thereof; provided for the first fiscal year ending after the Merger Date, the foregoing shall be reported on as though Exeter had merged into the Company on the first day of such fiscal year. Said balance sheets and reports shall be available at all reasonable times for the inspection of any bondholder or his authorized agent.

The Company further covenants that all books, documents and vouchers relating to the plants, properties, business and affairs of the Company shall at all times be open to the inspection of such accountants or other agents as the Trustee may from time to time designate.

Section 8.09. Annual Certificate of Compliance. The Company covenants that it will, on or before the expiration of ninety (90) days after the end of each fiscal year, file with the Trustee: (1) an Opinion of Counsel either stating that such action has been taken with respect to the execution and delivery of supplemental indentures, conveyances or other instruments, including all financing and continuation statements covering security interests in personal property, and the recording and filing of the same and of this Indenture and the re-recording and re-filing of this Indenture as is necessary for the purpose of maintaining the validity and priority of the lien and security interest hereof on the Mortgaged Property and reciting the details thereof, or stating that no such action is required for such purpose; and (2) an Officers' Certificate fully describing all insurance policies then in force on the Mortgaged Property, or any part thereof, stating that all such policies provide that all losses shall be payable to the Trustee, as its interest may appear, and stating that the Company has complied with the requirements of Section 8.10 with respect to the maintenance of insurance and stating: (a) that all taxes which became due on the Mortgaged Property during such fiscal year have been duly paid unless the Company shall in good faith, by appropriate action, contest any of said taxes, in which event such contest shall be set forth; (b) that all insurance premiums which became due during such fiscal year upon the insurance policies to which reference is hereinbefore made have been paid; (c) that no additional Fixed Property has been acquired by the Company during such calendar year, or if any Fixed Property has been so acquired, briefly describing the same and stating the cost thereof; and (d) whether or not the Company is in default in the fulfillment of any of its obligations under the Indenture and if a Default or Event of Default has occurred and then exists, specifying the nature and period thereof and the action the Company is taking with respect thereto.

Section 8.10. Insurance. The Company covenants that it will keep such of the Mortgaged Property as is of an insurable nature and of the character usually insured by companies engaged in similar geographical locations in any of the businesses in which the Company is or may be engaged insured against loss or damage by fire and from other hazards customarily insured against by such companies and will carry such insurance with insurance companies of good standing in amounts not less than the fair insurable value of the properties insured.

All policies required by the provisions of this Section to be carried by the Company shall provide that all losses shall be payable to the Trustee, as its interest may appear. In case of any

Event of Default by the Company in fulfilling the covenants contained in this Section with respect to the carrying of insurance, the Trustee may, at its option, effect such insurance in the name of the Company or in the name of the Trustee and all premiums paid by the Trustee for such insurance shall be repaid by the Company on demand and if not so repaid shall be secured by the lien of this Indenture in priority to the indebtedness evidenced by Bonds issued hereunder. Upon the happening of every loss the Company shall make due proof of loss and shall do all things necessary or desirable to cause the insurer or insurers to make payment in full directly to the Trustee. In case of any loss covered by any policy of insurance, any appraisement or adjustment of such loss and settlement and payment of indemnity therefor which shall be agreed upon between the insured and the insurer shall be accepted by the Trustee and the Trustee shall in no way be liable for the adjustment of such loss. The Company shall upon the execution of the Twelfth Supplemental Indenture furnish to the Trustee a statement in writing signed by an officer of the Company fully describing all policies of insurance then in force covering the Mortgaged Property or any part thereof and stating that all such policies provide that all losses shall be payable to the Trustee, as its interest may appear. The Trustee at its option may, at any time, require the Company to deposit with it any or all of such insurance policies and shall require such deposit upon the occurrence of an Event of Default.

The Trustee shall from time to time, upon receiving an Officers' Certificate certifying that the property damaged or destroyed has been repaired or replaced and put in a condition at least as good as that before the loss occurred, pay to the Company the amount of the insurance money received by the Trustee on account of such loss if such amount does not exceed, in the case of any one loss, $50,000. In all other cases the money so received by the Trustee may be paid or applied from time to time in accordance with the provisions of Sections 11.02 and 11.03.

Section 8.11. Maintenance of Corporate Existence and Rights. Subject to the provisions of Article XII hereof, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence. The Company covenants that it now has complete and lawful authority and privilege to maintain and operate its entire system and properties, and that none of its rights, franchises or privileges will be allowed to lapse or be forfeited unless the Board of Directors shall determine that any such right, franchise or privilege is not necessary for the carrying on of the Company's business; provided, however, that the expiration by lapse of time of any right, franchise or privilege shall not constitute a violation of this covenant, but the Company hereby expressly covenants that it will exercise its best endeavors and any and every proper means to procure extension or renewal of each and every such right, franchise or privilege so expiring and necessary or desirable for the maintenance of any of its plants, systems or properties.

Section 8.12. Eminent Domain. The Company covenants that it will pay or cause to be paid to the Trustee the proceeds of any property subject to the lien of this Indenture which has been taken by any governmental body through the exercise of the power of eminent domain or which has been sold to such a governmental body pursuant to the provisions of any statute or franchise permitting such governmental body to compel the Company to sell the same, except such thereof as may by the terms of an Underlying Mortgage be required to be paid to or deposited with its mortgagee or trustee and as to any moneys which shall be so paid to such mortgagee or trustee, the Company covenants that if any thereof remains on deposit with such

mortgagee or trustee upon the satisfaction or release of such Underlying Mortgage it will pay the same to or cause the same to be paid to the Trustee.

The Company further covenants that if any property subject to the lien of this Indenture is subject to a license under Part I of the Federal Power Act and at any time prior to the sale of such property, either under the terms of said Part I or otherwise, the Company is required by the terms of said license or by a final valid rule, regulation or order applicable thereto and to the Company, to apply funds held by it in amortization (as distinguished from depreciation) reserves accumulated, pursuant to the provisions of said license or of any such final valid rule, regulation or order, out of surplus earnings in excess of a reasonable rate of return on the Company's net investment in said property as finally determined as provided in said Part I, to the reduction of the amount of the Company's net investment therein, then the Company, if permitted to do so by the provisions of said license or of said rule, regulation or order requiring such reduction, will effect such reduction by paying or causing to be paid to the Trustee such funds so required to be applied to such reduction. If such property shall be purchased from the Company under the provisions of said Part I or of said license by the United States or by any subsequent licensee of said property under the provisions of said Part I, and the purchase price paid to the Company for such property by such purchaser is reduced by the application thereto of funds then held by the Company (and not then or theretofore held by the Trustee) as unappropriated surplus or amortization, sinking fund or similar reserves (but not including depreciation reserve) accumulated as aforesaid out of surplus earnings in excess of a reasonable rate of return on the Company's net investment in said property as finally determined as provided in said Part I, then to the extent the price paid to the Company is actually reduced by such application of such funds the Company will pay or cause to be paid an amount equal to such funds to the Trustee as part of the proceeds of the sale of such property to the United States or to such licensee. Upon the deposit of any funds with the Trustee in accordance with the provisions of this paragraph, the Company will cause to be delivered to the Trustee an officers' certificate stating that the funds so deposited are in the amount then required to be deposited pursuant to the provisions of this paragraph.

The Trustee on behalf of the bondholders may intervene in any proceeding for such taking or purchase by a governmental body and shall do so upon the written request of the holders of ten per cent (10%) or more in aggregate principal amount of Bonds Outstanding being first indemnified for its expenses as provided in Section 15.01 hereof. The Trustee may execute and deliver a release of any property so taken or sold and shall be fully protected in so doing upon being furnished with (a) an Officers' Certificate requesting such release stating that such property has been taken by eminent domain and that all conditions precedent herein provided for relating to such release have been complied with, (b) an Opinion of Counsel that such governmental body had a lawful right to take such property or compel the Company to sell the same and (c) either (i) a sum in cash equal to the proceeds of such taking or (ii) a sum in cash equal to such proceeds less the amount required to be paid to or deposited with the mortgagee or trustee of an Underlying Mortgage, a receipt from such mortgagee or trustee for the amount so paid or deposited, and an Opinion of Counsel that such amount is required by the terms of such Underlying Mortgage to be so paid or deposited.

Section 8.13. Records at Trustee. The Company covenants that it will keep on file at the principal office of the Trustee a list of the names and addresses of the last known holders of all Bonds Outstanding with the principal amount of Bonds believed to be held by each. Any bondholder may require his name and address to be added to said list by filing a written request with the Company or the Trustee, which request shall include a statement of the principal amount of Bonds held by each bondholder and the numbers of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. Said list may be inspected and copied by a bondholder or bondholders owning ten per cent (10%) or more in principal amount of Bonds Outstanding or by his or their authorized agent, such ownership and the authority of any such agent to be evidenced to the satisfaction of the Trustee.

Section 8.14. No Extensions for Claims of Interest. The Company covenants that no claim for interest pertaining to any Bond issued hereunder shall be kept alive after the date specified for the payment of such interest by the extension thereof or by the purchase thereof by or on behalf of the Company. Any such claim for interest which in any way at or after the date specified for the payment thereof shall have been transferred or pledged separate or apart from the bond to which it relates or which shall in any manner have been kept alive after the date specified for the payment thereof by extension or by the purchase thereof by or on behalf of the Company shall not be entitled to any benefit of or from this Indenture except after the prior payment in full of the principal of all Bonds issued hereunder and of all interest obligations not so transferred, pledged, kept alive or extended.

Section 8.15. Restricted Payments. The Company covenants that it will not declare or pay dividends (other than in its own common stock) or make any other distribution on shares of its common stock or apply any of its property or assets (other than amounts equal to any proceeds received from the sale of common stock of the Company) to the purchase or retirement of, or make any other distribution through reduction of capital or otherwise, in respect of, any shares of its common stock if, after giving effect to such distribution, the aggregate of all such distributions declared, paid, made or applied subsequent to December 31, 2001, plus the amount of all dividends declared or accrued on any class of preferred stock of the Company subsequent to December 31, 2001, and any amounts charged to net income after December 31, 2001 in connection with the purchase or retirement of any shares of preferred stock of the Company would exceed an amount equal to net income of the Company available for dividends after December 31, 2001, plus the sum of $_____.

The term "net income", as applied to any period shall mean the net income (or deficit) of the Company for such period properly transferable to its earned surplus, all computed, if a uniform system of accounts is prescribed by any commission or other governmental body having jurisdiction in the premises, in accordance with such uniform system; otherwise in accordance with accepted accounting practice, and in any event by deducting from the aggregate gross revenues of the Company for such period all expenses required to be deducted in computing Earnings Available for Interest Charges for such period in accordance with Section 4.02(B) and (C) of the Indenture, and also by deducting all interest requirements, taxes, amortization of debt discount and expense and other deferred charges, and all other non-operating expenses for such period.

Section 8.16. Transactions with Affiliates. The Company will not and will not permit any Subsidiary to enter into directly or indirectly any transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

ARTICLE IX

SUPPLEMENTAL INDENTURES AND INDENTURE MODIFICATIONS

Section 9.01. Supplemental Indentures without Consent of Bondholders. In addition to any supplemental indenture otherwise authorized or permitted by this Indenture, the Company when authorized by Resolution and the Trustee from time to time and at any time, subject to the conditions and restrictions in this Indenture contained, and without the consent of or notice to the bondholders, may execute an indenture or indentures supplemental hereto, and which thereafter shall form a part hereof, for any one or more or all of the following purposes:

(a) To add to the conditions, limitations and restrictions of the authorized amount, terms, provisions, purposes of issue, authentication and delivery of Bonds specified herein, other conditions, limitations and restrictions thereafter to be observed with respect to the Bonds or any one or more series thereof;

(b) To add to the covenants and agreements of the Company in this Indenture contained, other covenants and agreements thereafter to be observed;

(c) To provide for the creation of any series of Bonds pursuant to Articles IV, V or VI;

(d) To evidence the succession of another corporation to the Company, or successive successions, and the assumption by a successor corporation of the covenants and obligations of the Company and the acceptance by the successor corporation of the provisions in the Bonds hereby secured and in this instrument and in any and every supplemental indenture contained;

(e) To convey, transfer and assign to the Trustee, and to. subject to the lien of this Indenture, with the same force and effect as though included in the Granting Clauses hereof, additional properties, permits and franchises hereafter acquired by the Company through consolidation or merger, or by purchase or in any other manner whatsoever;

(f) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in this instrument or any indenture supplemental hereto;

(g) To make this Indenture conform to the Trust Indenture Act of 1939 or similar legislation or otherwise to add to the duties and obligations of the Trustee, but no such supplemental indenture which shall add to the duties and obligations of the Trustee hereunder shall be made without the written consent of the Trustee.

Section 9.02. Modification of Indenture. From time to time the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds Outstanding, by an instrument or instruments in writing signed by such holders and filed with the Trustee, shall have power to assent to and authorize any modification of any of the provisions of this Indenture that shall be proposed by the Company when authorized by a Resolution, and the Trustee may enter into an indenture supplemental hereto for the purpose of adding such modification to the Indenture and any action herein authorized to be taken with the assent or authority, given as aforesaid, of the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds Outstanding shall be binding upon the holders of all of the Bonds at any time Outstanding and upon the Trustee as fully as though such action were specifically and expressly authorized by the terms of this Indenture, provided, however, that no such modification shall (i) extend the time or times of payment of the principal of, or the interest or premium, if any, on any Bond, or (ii) reduce the principal amount thereof or the rate of interest or premium thereon, or (iii) authorize the creation of any lien prior or equal to the lien of this Indenture upon any of the Mortgaged Property, or deprive any bondholder of the benefit of the lien of this Indenture, or (iv) affect the rights under this Indenture of the holders of one or more, but less than all, of the series of Bonds outstanding hereunder unless assented to by the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds Outstanding of each of the series so affected, or (v) reduce the percentage of Bonds, the holders of which are required to assent to any such modification pursuant to this Section, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto; and provided further, that, anything in this Section to the contrary notwithstanding, the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds Outstanding of any particular series shall have power to waive any right specifically provided in respect of that series, and to assent to any modification of any such right which shall be proposed by the Company, subject, however, to the provisions of clauses (i) through (vi) of this Section. Any modification of the provisions of this Indenture so made as aforesaid shall be set forth in a supplemental indenture between the Trustee and the Company which shall be recorded and/or filed in the same manner as this Indenture and the Trustee shall be fully protected in acting in accordance therewith.

Section 9.03. Execution of Supplemental Indenture. No supplemental indenture shall become effective until it shall have been executed by the Trustee and the Trustee is hereby authorized to join with the Company in the execution of any supplemental indenture authorized or permitted by the provisions of this Indenture and to make the further agreements and stipulations which may be therein contained. The Trustee shall be fully protected in relying on an Opinion of Counsel as to whether or not any proposed supplemental indenture is authorized or permitted by the provisions of this Indenture and is consistent therewith.

Section 9.04. Effect of Supplemental Indenture. From and after the execution of any such supplemental indenture the covenants and provisions contained therein shall be deemed a part of this Indenture and shall bind and benefit the Company, the Trustee and the bondholders as

effectually as the covenants and provisions contained in this instrument at the time of its execution, and the Trustee and the bondholders shall have the same remedies for a breach thereof as are provided in respect of a breach of the provisions and covenants now contained in this Indenture.

ARTICLE X

POSSESSION, USE AND RELEASE OF MORTGAGED PROPERTY

Section 10.01. Possession and Use of Mortgaged Property. Unless an Event of Default shall have occurred and shall not have been remedied, the Company shall be suffered and permitted to remain in full possession, enjoyment and control of all the properties, rights, privileges and franchises hereby mortgaged and shall be permitted to manage and operate the same, and, subject always to the provisions hereof, to receive, receipt for, take, use, enjoy and dispose of all rents, revenues, income, issues and profits thereof.

Section 10.02. Alterations to Mortgaged Property. While in possession of the Mortgaged Property and if no Default or Event of Default then exists, the Company shall have the right at all times, as proper management of the business of the Company may require, to alter, change, add to, repair, and make any change in the location of its buildings and structures, power plants, conduits, meters, services, transformers, poles, pole lines, transmission or distribution lines, wires, cross-arms, cables, equipment and apparatus, provided that the location of none of the Mortgaged Property may be changed so as to impair the lien of this Indenture unless such property is sold or exchanged as elsewhere in this Article permitted.

Section 10.03. Dispositions of Mortgaged Property without Release. While in possession of the Mortgaged Property and if no Default or Event of Default then exists, the Company may, without obtaining any release from or consent of the Trustee, free from the lien of this Indenture:

(1) dispose of (i) fractional interests in poles and their appurtenances and/or the right to the joint use of such poles by the purchaser of such interest with the Company, (ii) any of its tangible personal property which may have become worn out, due for replacement in the regular course of business, disused or undesirable for use;

(2) cut and sell, and license others to cut and remove, any pulp wood, timber, logs and trees having an aggregate fair value in any one five-year period of not in excess of $100,000, which are now, or at any time hereafter shall be, upon any land included in the Mortgaged Property;

(3) surrender or assent to the modification of any franchise which it may hold or under which it may be operating, provided that (a) in the event of any such surrender, the Company shall then have or shall receive at the time of such surrender a franchise which, in the Opinion of Counsel (filed with the Trustee prior to such surrender), shall authorize it to do the same or an extended business in the same or an extended territory during the same or an extended or unlimited period of time, and (b) in the event of any

such modification, the franchise as modified shall, in the Opinion of Counsel (filed with the Trustee prior to the effective date of such modification), authorize the continuance of the same or an extended business in the same or an extended territory during the same or an extended or unlimited period of time; and

(4) make changes or alterations in or substitutions for any licenses or leases or surrender and cancel the same, provided that such change, alteration or substitution or such surrender or cancellation, as the case may be, is in the interest of the Company and will not impair the security of the Bonds Outstanding; and in such event any modified, altered or substituted grants, licenses or leases shall forthwith be subject to the terms of this Indenture to the same extent, if any, as those previously existing;

provided, however, that the Company either (i) shall apply any net cash proceeds or other consideration received by the Company for or in connection with any disposition of Mortgaged Property by the Company under this Section 10.03 in acquiring, or in reimbursing itself for, other property, not necessarily of the same character, but of value at least equal to that of the property disposed of, which other property shall be Fixed Property and shall forthwith become subject to the lien of this Indenture, or (ii) if and to the extent that such net cash proceeds or other consideration are not so applied within 12 calendar months after the receipt thereof, shall pay such net cash proceeds or an amount equal to such other consideration (unless by the terms of any prior mortgage or other instrument permitted by the terms hereof such net cash proceeds or other consideration are required to be and are applied to reduce, discharge or secure the obligations secured by any such prior mortgage or other instrument) to be held and applied by the Trustee pursuant to the provisions of Sections 11.02 and 11.03.

Section 10.04. Release of Mortgaged Property. While in possession of the Mortgaged Property and if no Default or Event of Default then exists, the Company may sell or exchange but not otherwise dispose of any of its property (in addition to the property referred to in Section 10.03 and in addition to any property released pursuant to Section 8.12 hereof) and the Trustee shall release the same from the lien hereof upon receipt by the Trustee of:

(a) A Resolution authorizing such sale or exchange and requesting such release;

(b) An Officer's Certificate signed also by an Engineer who, if the consideration to be received for the property for the release of which request is made exceeds $150,000, shall be an Independent Engineer;

(i) describing the property for the release of which request is made and stating that in the opinion of the signers such release will be of benefit to the Company and will not be prejudicial to the security of the Bonds issued hereunder;

(ii) stating that the Company has sold or exchanged, or contracted to sell or exchange, the property for the release of which request is made for a stated consideration representing in the opinion of the signers its full value to the

Company and consisting solely of cash, Property Additions and/or properties which upon such exchange will constitute Property Additions;

(iii) stating either that the property for the release of which request is made does not constitute or include all or substantially all of the physical properties of the Company subject to the lien hereof, or, that if it does constitute or include all or substantially all of such physical properties, stating that from the cash consideration received or to be received therefrom, as increased by any other Trust Moneys available for the redemption of Bonds, there will be moneys sufficient in amount to pay all of the expenses and charges due the Trustee and to redeem all Bonds Outstanding; and

(iv) if any Property Additions, or properties which upon such exchange will become Property Additions, are included in such consideration, briefly describing them, and if from the Opinion of Counsel responsive to (f) of this Section it appears that such are subject to any Permitted Encumbrances, that such Permitted Encumbrances do not impair the use of the property to which they pertain for the purposes for which such property is held or to be held by the Company;

(c) An Officers' Certificate dated as of a date not more than ten days prior to such release, stating that immediately after giving effect to such release, no Default or Event of Default shall have occurred and be continuing;

(d) All moneys stated in said certificate to be or to have been received in consideration for any property for the release of which request is made, or to the extent that such moneys constitute the consideration for property subject to an Underlying Mortgage, which, by its terms, are required to be paid to or deposited with its mortgagee or trustee, a receipt by such mortgagee or trustee for such moneys, the Company covenanting and directing that upon the satisfaction or release of such Underlying Mortgage, any such money remaining in the possession or control of such mortgagee or trustee to which the Company may be entitled shall forthwith be deposited with the Trustee;

(e) Such deeds, bills of sale, supplemental indentures, or other instruments of conveyance as may be necessary or proper to subject to the lien of this Indenture any property received in exchange for property released;

(f) An Opinion of Counsel stating;

(i) that the instruments of conveyance above mentioned are sufficient, and no other documents are required, to subject to the lien of this Indenture any property received in exchange for property released, and that all of the property received in exchange will, upon such acquisition, be subject to no liens in addition to the lien of this Indenture except Permitted Encumbrances;

(ii) if any part of the consideration for property so to be released has been or is to be paid to or deposited with the mortgagee or trustee of an Underlying Mortgage, that such consideration is required by such Underlying Mortgage to be paid to or deposited with such mortgagee or trustee;

(g) Either (i) a certificate constituting evidence of the authorization, approval or consent of any governmental body at the time having jurisdiction in the premises to the sale or exchange of the property to be released, the consideration to be received therefor and the acquisition of any property constituting any part of such consideration, together with an Opinion of Counsel that the same constitutes sufficient evidence thereof and that the authorization, approval or consent of no other governmental body is required; or (ii) an Opinion of Counsel that no authorization, approval or consent of any governmental body is required.

Section 10.04A. Application for Release of Mortgaged Property. While in possession of the Mortgaged Property and if no Default or Event of Default then exists, the Company may apply to the Trustee for the release of certain property which is not Public Utility Property (as defined below) from the lien of the Indenture subject to the release valuation limitations hereinafter provided, to be thereafter held by the Company free of the mortgage, available for sale or transfer without further authorization from or accountability to the Trustee, and the Trustee shall release the said property from the said lien upon its receipt of:

(a) A Resolution identifying the property to be released and requesting that it be released;

(b) An Officers' Certificate signed also by an Engineer who, if the release valuation of the property involved exceeds $100,000, shall be an Independent Engineer;

(i) Identifying the property to be released and stating that no part of it is Public Utility Property nor included or includable in any way in the Company's electric utility rate base. For purposes of this certification, "Public Utility Property" shall mean and include all property of the Company which is used or useful to it in any aspect of its business as a New Hampshire electric public utility company, including without limitation, the transmission, distribution, use, purchase, supply and/or delivery, sale and disposition of electricity for heat, light, power, refrigeration or any other use, or in any business incidental thereto, including all properties necessary, appropriate, or in any manner useful for the transmission, distribution, use, purchase, supply, and/or delivery, sale and disposition of electricity, together with all betterments, additions, replacements, or alterations of, upon, or to any such property, saving and excepting, however, any and all categories of property of the Company excluded from the lien of the Indenture by the several Reservation, Exception and Exclusion Clauses of the Granting Clauses of the Indenture.

(ii) Stating the release valuation of the property involved, and showing that such valuation plus the aggregate release valuation of all prior such releases

of property of the Company which is not Public Utility Property for the preceding twelve calendar months does not exceed $350,000 nor, for the preceding five-year period, an amount equal to five percent of the Company's net utility plant as of the close of the last calendar year as shown in the Company's annual report for such year to the New Hampshire Public Utilities Commission. For purposes of the foregoing computation, "release valuation" shall be defined to mean the recorded net book cost of property other than real estate, and in the case of real estate, the greater of (x) net book cost or (y) the latest assessed valuation for purposes of local real estate taxation.

(c) An Officer's Certificate dated as of a date not more than ten days prior to such release, stating that after giving effect to such release, no Default or Event of Default shall have occurred and be continuing; and

(d) A sum of money equivalent to the release valuation of the property to be released from the lien of the Indenture.

Section 10.05. Purchaser Protected. In favor of every purchaser from the Company, and of every person claiming any interest by, through or under the Company, every release of property from the lien of this Indenture by the Trustee under the provisions of Section 8.12 and this Article shall be valid, and no such purchaser or person need inquire as to the power or authority of the Trustee to make any such release, or see to the application of the purchase money.

Section 10.06. Company's Covenant Regarding Disposition. The Company covenants that it will not sell, exchange or otherwise dispose of any of its properties except in the manner permitted by Section 8.12 and this Article, provided, however, that nothing in this Section shall be construed to be in derogation of the provisions of Article XII.

Section 10.07. Powers Exercisable by Receiver or Trustee. In case the Mortgaged Property shall be in the possession of a receiver or trustee lawfully appointed, the powers in and by this Article conferred upon the Company may be exercised by such receiver or trustee, with the approval of the Trustee, and if the Trustee shall be in possession of the Mortgaged Property under any provision of this Indenture then all the powers in Section 8.12 and this Article conferred upon the Company may be exercised by it in its discretion.

ARTICLE XI

HOLDING AND APPLICATION OF TRUST MONEYS

Section 11.01. "Trust Moneys" Defined. All moneys required to be deposited with or paid to the Trustee under any provision hereof shall be held by it in trust (all such moneys being herein sometimes called "Trust Moneys"). Except for Trust Moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given,

all Trust Moneys so paid over to the Trustee shall, while held by it, constitute part of the Trust Estate and be subject to the lien hereof. While held by the Trustee any such Trust Moneys may be invested as provided in Section 11.06 and if no Default or Event of Default then exists, the interest earnings of any amounts so deposited shall be distributed to the Company, free of trust, at least quarter-annually.

Section 11.02. Withdrawal or Redemption of Outstanding Bonds. Subject to the provisions of Section 11.04, the Company, so long as no Default or Event of Default then exists, may:

(a) withdraw any Trust Moneys deposited with the Trustee pursuant to the provisions of Sections 8.10 (except as otherwise provided in Section 8.10 with respect to amounts not exceeding $50,000), 8.12, 10.03, 10.04 and 10.04A, to reimburse itself for 100% of Net Bondable Expenditures made by it for Property Additions as evidenced by the Certificate of Net Bondable Expenditures for Property Additions to which reference is hereinafter made; or

(b) cause the Trustee to apply any Trust Moneys withdrawable under (a) above to the payment or redemption of Bonds then Outstanding;

provided, however, that none of such Trust Moneys shall be so withdrawn under clause (a) above later than two years after the date of their deposit with the Trustee.

If the Company shall elect to withdraw Trust Moneys pursuant to clause (a) of this Section, it shall deliver to the Trustee an order of the Company specifying the amount to be withdrawn and stating that such withdrawal is not prohibited by Section 11.02 or 11.04, and accompanied by a Resolution authorizing such withdrawal and a Certificate of Net Bondable Expenditures, together with, if there be included in such certificate any New Gross Expenditures, the documents required by (i), (ii) and (iii) of subparagraph (4) of Section 4.05. Such Certificate of Net Bondable Expenditures shall be dated as of a date within sixty days of the date of such withdrawal. No such withdrawal shall be made unless the Trustee shall also have received an Officers' Certificate dated as of the date of such withdrawal stating that the amount, if any, shown in Item (12) of said Certificate of Net Bondable Expenditures plus Gross Expenditures for Property Additions since the date of said Certificate exceeds Net Retirements since the date of said certificate and stating that no Default or Event of Default then exists.

If the Company shall elect to cause the Trustee to apply moneys to the redemption of Bonds pursuant to clause (b) of this Section, it shall deliver to the Trustee an Order of the Company stating that such application is not prohibited by Section 11.04 and stating that no Default or Event of Default then exists. Such Order shall be accompanied by a Resolution authorizing such redemption. Such redemption shall be made as provided in Section 11.03.

Section 11.03. Redemption Procedures. As soon as conveniently possible after each election by the Company to apply Trust Moneys to the redemption of Bonds pursuant to clause (b) of Section 11.02 and after each occasion upon which the Trustee shall have on hand $5,000 or more of moneys referred to in Section 11.02 which have been on deposit with the Trustee more than two years after the date of such deposit, the Trustee shall (i) if Bonds of more than one

series are outstanding hereunder and the moneys to be applied are insufficient to redeem all Bonds then Outstanding, apportion such moneys to the redemption of Bonds of each such series, in proportion, as nearly as is practicable, to the ratio which at the time of such apportionment the aggregate principal amount of the Bonds of each series then Outstanding bears to the total principal amount of the Bonds of all series then Outstanding, (ii) fix a date (or dates in case Bonds of more than one series are to be redeemed and are not redeemable on the same date) for the redemption of Bonds, (iii) select the Bonds to be so redeemed as provided in Section 7.02, (iv) notify the Company of the Bonds to be so redeemed and of the date (or dates) of such redemption, and (v) give notice of redemption of such Bonds as provided in Sections 7.03, 7.04 and 7.05. The Company covenants that it will, on or before forty (40) days prior to the date (or each date) so fixed, pay to the Trustee the amount of the charges which will be due it and the amount of expenses which it will incur in connection with such (or each such) redemption, and that the Company will deliver to the Trustee, on or prior to the date (or each date) so fixed for redemption, the excess of the aggregate of the redemption prices of the Bonds to be so called (including interest to date of redemption) over the aggregate of the principal amounts thereof.

Section 11.04. Redemption When Trust Estate is Released. In the event, however, that all or substantially all the fixed properties of the Company which constitute the Trust Estate are released from the lien hereof, then the Trustee shall forthwith by the use, in so far as necessary, of all Trust Moneys deposited with it (other than moneys held for the redemption of Bonds, a notice of the redemption of which has been given) redeem all Bonds then Outstanding, provided, however, that if the aggregate of all such Trust Moneys, after the deduction therefrom of any expenses or charges for the payment of which the Trustee will be compelled to resort to such Trust Moneys, will be insufficient to redeem all Bonds then Outstanding, then the Trustee shall, subject to the provisions of Section 8.14, apply said Trust Moneys to the pro rata payment on account of and in proportion to the respective amounts of the principal of, premium, if any, and accrued interest on all Bonds then Outstanding, irrespective of series.

Section 11.05. Redeemed Bonds. No Bonds redeemed under the provisions of this Article shall thereafter be Available Bonds useable as the basis for the issue of Bonds or of any further action or credit under this Indenture, and all such Bonds shall be cancelled.

Section 11.06. Investment of Trust Moneys. Except where otherwise provided in this Indenture, all or any part of any Trust Moneys held by the Trustee hereunder may from time to time at the written direction of the Company, signed by the President, Vice-President or Treasurer of the Company, be invested or reinvested by the Trustee in any of the following:

(1) Investments in commercial paper maturing in 270 days or less from the date of issuance which, at the time of acquisition, is accorded the highest rating by S&P or Moody's;

(2) Investments in United States Governmental Securities; provided that such obligations mature within one year from the date of acquisition thereof;

(3) Investments in certificates of deposit maturing within one year from the date of origin, issued by an Acceptable Bank; or

(4) any mutual fund or other fund which is operated in the United States which has substantially all of its investments in the Investments described above in clauses (1) or (2) of this Section 11.06.

Such Investments shall be held by the Trustee as a part of the Trust Estate, subject to the same provisions hereof as the cash used by it to purchase such Investments; but upon a like direction of the Company, the Trustee shall sell all or any designated part of the same and the proceeds of such sale shall be held by the Trustee subject to the same provisions hereof as the cash used by it to purchase the Investments so sold. If under the provisions of this Indenture any Trust Moneys held by the Trustee and so invested or reinvested shall be required to be applied to the redemption of Bonds, the Trustee shall forthwith sell such Investments in an amount equivalent to the Trust Moneys so to be applied. In case the net proceeds (exclusive of interest) realized, upon any such sale shall amount to less than the amount invested by the Trustee in the purchase of the Investments so sold (after appropriate adjustment on account of any accrued interest paid at the time of purchase), the Trustee shall within five days after such sale notify the Company in writing thereof and within five days thereafter the Company shall pay to the Trustee the amount of the difference between such purchase price and the amount so realized, and the amount so paid shall be held by the Trustee in like manner and subject to the same conditions as the proceeds realized upon such sale. The Trustee shall not be liable or responsible for any loss resulting from any Investment or reinvestment pursuant to this Section 11.06.

ARTICLE XII

CONSOLIDATIONS, MERGERS AND SALES

Section 12.01. Consolidation, Merger and Sales Permitted on Certain Terms. Nothing in this Indenture contained shall prevent any lawful consolidation or merger of the Company with or into any other corporation, or any conveyance or transfer, subject to the lien of this Indenture, of all, or substantially all, the Mortgaged Property, as an entirety, to any corporation lawfully entitled to acquire and operate the same; provided, however, and the Company covenants and agrees, that such consolidation, merger, conveyance or transfer shall be upon such terms as in no respect to impair the lien of this Indenture upon the Mortgaged Property then subject thereto, or any of the rights or powers of the Trustee or the bondholders hereunder; and provided further, that the property of the successor corporation with which the Company shall consolidate or merge or to which all of the Mortgaged Property shall be conveyed as an entirety shall not be subject to any lien (other than Permitted Encumbrances) which after such consolidation, merger or conveyance will be equal or prior to the lien of this Indenture on the property owned by such other corporation and included in its fixed asset account, unless the amount of obligations outstanding under and secured by such equal or prior lien shall not exceed sixty per cent (60%) of the fair value of such property of such other corporation, as evidenced by an Independent Engineer's Certificate filed with the Trustee; or unless there be appropriated Net Bondable Expenditures in an amount equivalent to such excess (such appropriation to be evidenced in the same way as a similar appropriation pursuant to Section 8.07), and unless the Earnings Available for Interest Charges (determined in the manner provided in Section 4.02 hereof for Earnings Available for Interest Charges of the Company and verified by independent certified public

accountants), derived from the operation of the property of such other corporation, for a period of twelve (12) consecutive calendar months within fifteen (15) calendar months immediately preceding the date of such consolidation, merger or conveyance, shall have been at least two (2) times the Annual Interest Requirements (determined in the manner provided in Section 4.02 hereof for Annual Interest Requirements of the Company, as verified by such accountants), on all obligations outstanding under and secured by such equal or prior lien at the time of such consolidation, merger or conveyance and on all other obligations of such other corporation for borrowed money, except obligations for the payment or redemption of which the necessary funds shall have been deposited with the trustee under the mortgage creating such equal or prior lien, or with the Trustee hereunder, together with irrevocable instructions to apply such funds to the payment or redemption of such obligations (but subject to any applicable clause in such mortgage providing for the return of any unclaimed moneys to the Company or such other corporation, as the case may be, depositing such funds); and provided further, that such successor corporation shall execute and deliver to the Trustee an indenture supplemental hereto and satisfactory to the Trustee which shall provide:

(1) that such successor corporation shall assume the due and punctual payment of the principal of, (and premium, if any) and interest on all the Bonds issued hereunder and the performance and observance of all of the covenants and conditions to be performed or observed by the Company contained in this Indenture; and

(2) a grant, conveyance, transfer and mortgage in terms sufficient to include and subject to the lien of the Indenture; subject only to Permitted Encumbrances, all property (other than Excepted Property) thereafter acquired or constructed by such successor corporation in the territories theretofore served by the Company and all property (other than Excepted Property) forming an integral part of, or essential to the use or operation of, any property subject to the lien of this Indenture at the time of such consolidation, merger, conveyance or transfer, and all property subsequently subjected to the lien of this Indenture as a first mortgage lien thereon, and all betterments, extensions, improvements, additions, renewals and replacements thereof, and all franchises necessary or proper for the operation thereof, the lien thereby created to have the same force, effect and standing as if the Company had itself acquired or constructed such property.

Notwithstanding anything to the contrary contained herein, the successor corporation shall be organized under the laws of the United States or any state thereof or under the laws of Canada or any province thereof.

Section 12.02. Successor Corporation Substituted. The successor corporation thereafter may cause to be signed, issued and delivered, either in its own name or in the name of Unitil Energy Systems, Inc., any or all Bonds issuable hereunder which shall not theretofore have been signed by Unitil Energy Systems, Inc. and authenticated by the Trustee, and upon the order of the successor corporation in lieu of Unitil Energy Systems, Inc., and subject to all the terms, conditions and restrictions in this Indenture prescribed, relating to the authentication and issuance of Bonds, the Trustee shall authenticate and deliver any of such Bonds which shall have been previously signed and delivered by the officers of Unitil Energy Systems, Inc. to the Trustee for authentication, and any of such Bonds which the successor corporation shall thereafter, in

accordance with the provisions of this Indenture, cause to be signed and delivered to the Trustee for such purpose; provided, however, that no such Additional Bonds may be issued. hereunder and no cash shall be withdrawn or property released on the basis of Net Bondable Expenditures for Property Additions, unless (A) thereupon the aggregate indebtedness of such successor corporation secured by liens on any property equal or superior to the lien of this Indenture will not exceed 15% of the aggregate principal amount of all Bonds then Outstanding under this Indenture and (B) such successor corporation (1) shall effectively close each open end mortgage (other than this Indenture) to which any of its property may be subject, and (2) shall by an indenture supplemental hereto to which reference is made in Section 12.01 hereof or by a subsequent indenture supplemental hereto satisfactory to the Trustee similarly executed and delivered which shall provide a grant, conveyance, transfer and mortgage in terms sufficient to include and subject to the lien hereof, subject only to Permitted Encumbrances, (a) with the same force, effect and standing as though this Company had itself acquired the same at the time of the delivery of such supplemental indenture, all property, not theretofore subject to the lien hereof, then owned by such successor corporation (other than Excepted Property), and (b) with the same force, effect and standing as though the Company were itself to construct or acquire such property, all property thereafter acquired or constructed by such successor corporation (other than Excepted Property).

Section 12.03. Opinion of Counsel Required. The Trustee may receive an Opinion of Counsel as conclusive evidence (1) that any such indenture can and does comply with the foregoing conditions and provisions required with respect thereto by Section 12.01 or 12.02, or both, and (2) that such successor corporation has complied with the provisions of Section 12.02 with respect to the closing of open end mortgages.

ARTICLE XIII

DISCHARGE OF INDENTURE

If the Company shall pay or cause to be paid to the holders of the Bonds the principal thereof, including therein the premium thereon, if any, and interest to become due thereon at the times and in the manner stipulated therein and herein, and if the Company shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed to be kept, performed and observed by it or on its part, then these presents and the estate and rights hereby granted shall (at the option of the Company evidenced by a Resolution delivered to the Trustee) cease, determine and be void, and thereupon the Trustee shall, upon the request of the Company but only after payment of all proper charges and cancellation of all Bonds for the payment of which cash shall not have been deposited in accordance with the provisions of this Indenture, cancel and discharge the lien of this Indenture, and execute and deliver to the Company such deeds or other instruments in writing as shall be requisite to satisfy the lien hereof, and reconvey to the Company the estate and title hereby conveyed, and assign and deliver to the Company any property at the time subject to the lien of this Indenture which may then be in possession of the Trustee, except cash held for the payment of the principal of, premium, if any, or interest on Bonds.

Bonds, for the payment or redemption of which moneys shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds) and been made available for present payment to the holders of such Bonds, shall be deemed to be paid within the meaning of this Section; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made therefor, or such notice shall have been waived.

ARTICLE XIV

DEFAULT PROVISIONS AND REMEDIES

Section 14.01. Events of Default Defined. Each of the following events is hereby defined as and is declared to be and to constitute an "Event of Default":

(a) Default in the payment of any interest on any Bond when the same shall become due and payable and the continuance thereof for a period of ten (10) days; or

(b) Default in the payment of the principal of (and premium, if any, on) any Bond when the same shall become due and payable whether at the stated maturity thereof, or upon redemption thereof, or by declaration as in Section 14.02 provided; or

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Company in this Indenture or in the Bonds contained, and the continuance thereof for a period of thirty (30) days after written notice to the Company by the Trustee or by the holders of not less than ten per cent (10%) in aggregate principal amount of Bonds then Outstanding; or

(d) The Company (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of the Mortgaged Property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(e) A court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of the Mortgaged Property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution,

winding-up or liquidation of the Company, or any such petition shall be filed against the Company and such petition shall not be dismissed within 60 days; or

(f) If under the provisions of any other law now or hereafter existing for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Company or of the whole or any substantial part of the Mortgaged Property, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

Section 14.02. Acceleration of Maturity; Rescission and Annulment. Upon the occurrence of an Event of Default the Trustee may, and upon the written request of the holders of twenty-five per cent (25%) in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Company, declare the principal of all Bonds then Outstanding and the interest accrued thereon along with the Make Whole Premium (as hereinafter defined) immediately due and payable, and such principal, interest and Make Whole Premium shall thereupon become and be immediately due and payable; subject, however, to the right of the holders of a majority in aggregate principal amount of Bonds then Outstanding, by written notice to the Company and to the Trustee, to annul such declaration and destroy its effect at any time before any sale hereunder, if, before any such sale, all agreements with respect to which such Event of Default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds then Outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured hereby, except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date, shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

For purposes of this Section 14.02, the "Make Whole Premium" shall mean the greater of (i) the Outstanding principal amount of the Bonds to be paid, plus interest accrued thereon to the date fixed for such payment, and (ii) the sum of (A) the aggregate present value as of the date of such payment of each dollar of principal being paid (taking into account any payments under a sinking fund, if any) and the amount of interest (exclusive of interest accrued to the date fixed for such payment) that would have been payable in respect of each such dollar if such payment had not been made, determined by discounting such amounts at the Reinvestment Rate (as hereinafter defined) from the respective dates on which they would have been payable to the date of such payment, plus (B) interest accrued on the Bonds to be paid to the date fixed for such payment.

For purposes of any determination of the Make Whole Premium:

"Reinvestment Rate" shall mean (1) the sum of 0.50%, plus the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States Government Securities) at 11:00 A.M. (Eastern time) for the United States Government Securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal of the Bonds being paid (taking into account the application of each payment under a sinking fund, if any) or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States Government

Securities is available, Reinvestment Rate shall mean the sum of 0.50%, plus the arithmetic mean of the yields for the two columns under the heading "Week Ending" published in the Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal amount of the Bonds being paid (taking into account each payment under a sinking fund, if any). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straightline basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make Whole Premium shall be used.

"Statistical Release" shall mean the then most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of Bonds then Outstanding.

"Weighted Average Life to Maturity" of the principal amount of the Bonds being paid shall mean, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term "Remaining Dollar-Years" of such principal shall mean the amount obtained by (i) multiplying (x) the remainder of (1) the amount of principal that would have been payable on each scheduled sinking fund payment date, if any, if the payment pursuant to this Section 14.02 had not been made, less (2) the amount of principal on the Bonds scheduled to become payable on each scheduled sinking fund payment date, if any, after giving effect to the payment pursuant to this Section 14.02, by (y) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and each such sinking fund payment date, if any, and (ii) totalling the products obtained in (i).

Section 14.03. Interest on Overdue Payments. If Default occurs in payment of principal, premium or interest due hereunder, the Company covenants that it will pay or cause to be paid interest upon overdue principal, premium and interest, to the extent permitted by law, at the greater of (i) six percent (6%) per annum and (ii) the rate specified in the supplemental indenture creating the series of Bonds in question or, if no such rate is specified therein, then the rate of interest payable on the Bonds of the series in question plus one percent (1%).

Section 14.04. Entry Upon Mortgaged Property. Upon the occurrence of an Event of Default, the Company, upon demand of the Trustee, shall forthwith surrender to the Trustee the actual possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all the Mortgaged Property (with the books, papers and accounts of the Company) and to hold, operate and manage the same, and from time to time make all needful repairs and such extensions, additions and improvements as to it shall seem wise; and to receive the rents, revenues, income, issues and profits thereof, and out of the same to pay, and/or set up

proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs, extensions, additions and improvements, and to apply the remainder of the moneys so received by the Trustee, subject to the provisions of Section 8.14 hereof with respect to extended, transferred or pledged claims for interest, first to the payment of the installments of interest which are due and unpaid, in the order of their maturity, and next, if the principal of any said Bonds is due, to the payment of the principal and accrued interest thereon pro rata without any preference or priority whatever, except as aforesaid and thereafter the Make Whole Premium. Whenever all that is due upon such Bonds, including installments of interest and under any of the terms of this Indenture shall have been paid and all Defaults made good, the Trustee shall surrender possession to the Company, its successors or assigns; the same right of entry, however, to exist upon any subsequent Event of Default.

Section 14.05. Power of Sale. Upon the occurrence of an Event of Default, the Trustee, by such officer or agent as it may appoint, with or without entry, may, if at the time such action shall be lawful, sell all the Mortgaged Property, including all right, title, interest, claim and demand of the Company thereto and therein and the right of redemption thereof, as an entirety or in such parcels as the holders of a majority in aggregate principal amount of Bonds then Outstanding shall in writing request, or in the absence of such request, as the Trustee may determine, at public auction, at some convenient place in Boston, Massachusetts, or at such other place or places as may be required by law, having first given notice of such sale by publication in at least one daily newspaper, printed in English and of general circulation in said Boston, at least once a week for four (4) successive weeks next preceding such sale, and any other notice which may be required by law. The Trustee, if permitted by law, may from time to time adjourn such sale or sales in its discretion by announcement at the time and place or times and places fixed for such sale or sales without further notice; and the Trustee is hereby appointed the true and lawful attorney irrevocably of the Company in its name and stead to make, execute, acknowledge and deliver to the purchaser or purchasers at such sale or sales good and sufficient deeds of conveyance or bills of sale of the Mortgaged Property so sold and any sale made as aforesaid shall be a perpetual bar both at law and in equity against the Company and all persons claiming by, through or under it.

Section 14.06. Suits for Enforcement; Remedies. In case of the breach of any of the covenants or conditions of this Indenture, the Trustee shall have the right and power to take appropriate judicial proceedings for the enforcement of its rights and the rights of the bondholders hereunder. Upon the occurrence of an Event of Default, the Trustee may either after entry, or without entry, proceed by suit or suits at law or in equity to enforce payment of the Bonds then Outstanding and to foreclose this Indenture and to sell the Mortgaged Property under the judgment or decree of a court of competent jurisdiction.

If an Event of Default shall have occurred, and if it shall have been requested so to do by the holders of twenty-five per cent (25%) in aggregate principal amount of Bonds outstanding hereunder and shall have been indemnified as provided in Section 15.01 hereof, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred upon it by this

Section and by Sections 14.04 and 14.05 as it, being advised by counsel, shall deem most expedient in the interests of the bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee, or to the bondholders, is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Default or Event of Default hereunder, whether by the Trustee or by the bondholders, shall extend to or shall affect any subsequent Default or shall impair any rights or remedies consequent thereon.

The Company may waive any period of grace provided for in this Article.

Section 14.07. Right of Bondholders to Direct Trustee. Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken for any sale of the Mortgaged Property, or for the foreclosure of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 14.08. Receiver. Upon the occurrence of an Event of Default, and upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Mortgaged Property, and of the rents, revenues, income, issues and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer, whether or not the Mortgaged Property shall be deemed sufficient ultimately to satisfy the Bonds outstanding hereunder.

Section 14.09. Bonds Due and Payable Following Sale. Upon any sale being made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Indenture, the principal of all Bonds then secured hereby, if not previously due, shall become and be immediately due and payable.

Section 14.10. Bondholders Right to Bid at Sale. Upon any sale made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of this Indenture, the holder or holders of any Bond or Bonds then Outstanding or the Trustee may bid for and purchase the Mortgaged Property or any part thereof and upon compliance with the terms of sale may hold, retain and possess and dispose of such property in his, their or its own absolute right without further accountability, and

any purchasers at any such sale may, in paying the purchase money, turn in any of such Bonds or claims for interest outstanding hereunder in lieu of cash to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon. Said Bonds, in case the amount so payable thereon shall be less than the amount due thereon, shall be returned to the holders thereof after being appropriately stamped to show partial payment.

Section 14.11. Purchaser Not Responsible for Proceeds Application. Upon any sale made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Indenture, the receipt of the Trustee or of the officer making such sale shall be a sufficient discharge to the purchaser or purchasers at any sale for his or their purchase money and such purchaser or purchasers, his or their assigns or personal representatives, shall not, after paying such purchase money and receiving such receipt of the Trustee, or of such officer therefor, be obliged to see to the application of such purchase money, or be in any wise answerable for any loss, misapplication or nonapplication thereof.

Section 14.12. Company Divested of Title. Any sale made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of this Indenture shall, if and to the extent then permitted by law, operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Company of, in and to the property so sold, including all rights of redemption thereto, and be a perpetual bar both at law and in equity against the Company and against any and all persons, firms or corporations claiming or who may claim the property sold, or any part thereof, from, through or under the Company.

Section 14.13. Application of Moneys by Trustee. The proceeds of any sale made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Indenture, together with any other amounts of cash which may then be held by the Trustee as part of the Mortgaged Property, shall be applied as follows:

First -- To the payment of all taxes, assessments, governmental charges and liens prior to the lien of this Indenture, except those subject to which such sale shall have been made, and of all the costs and expenses of such sale, including reasonable compensation to the Trustee, its agents and attorneys, and of all other sums payable to the Trustee hereunder by reason of any expenses or liabilities incurred or advances made in connection with the management or administration of the trusts hereby created;

Second -- To the payment in full of the amounts then due and unpaid for principal, premium and interest upon the Bonds then secured hereby with interest on amounts overdue as provided in Section 14.03 hereof, and in case such proceeds shall be insufficient to pay in full the amounts so due and unpaid, then to the payment thereof ratably, without preference or priority of principal or premium over interest, or of interest over principal or premium, or of any installment of interest over any other installment of interest; subject, however, to the provisions of Section 8.14 hereof;

Third -- Any surplus thereof remaining to the Company, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

Section 14.14. Waiver of Appraisement and Other Laws. In case of an Event of Default on its part, as aforesaid, to the extent that such rights may then lawfully be waived, neither the Company nor any one claiming through or under it shall or will set up, claim, or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent or hinder the enforcement or foreclosure of this Indenture, or the absolute sale of the Mortgaged Property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, but the Company, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisement and redemption to which it may be entitled under the laws of The State of New Hampshire or of any other state where any of the Mortgaged Property may be situated. And the Company, for itself and all who may claim through or under it, waives any and all right to have the estates comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof, and agrees that any court having jurisdiction to foreclose such lien may sell the Mortgaged Property as an entirety.

Section 14.15. Payment Event of the Default Suits to Protect Trust Estate. The Company covenants that if an Event of Default shall exist due to the failure of the Company to make a payment of the principal of any Bonds hereby secured when the same shall become payable, whether by the maturity of said Bonds or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Bonds then secured hereby, the whole amount due and payable on all such Bonds for principal and premium, if any, and interest, and in case the Company shall fail to pay the same forthwith upon such demand, the Trustee in its own name and as trustee of an express trust, if permitted by law so to do, shall be entitled to sue for and to recover judgment for the whole amount so due and unpaid.

The Trustee, to the extent permitted by law, shall be entitled to sue and recover judgment either before or after or during the pendency of any proceedings for the enforcement of the lien of this Indenture upon the Mortgaged Property, and in case of a sale of any of the Mortgaged Property and of the application of the proceeds of sale to the payment of the debt hereby secured, the Trustee in its own name and as trustee of an express trust shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid upon any and all Bonds then Outstanding, for the benefit of the holders thereof, and the Trustee shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest. No recovery of any such judgment by the Trustee and no levy of any execution upon any such judgment upon any of the Mortgaged Property or upon any other property, shall in any manner or to any extent affect the lien of this Indenture upon the Mortgaged Property or any part thereof, or any rights, powers or remedies of the Trustee hereunder, or any lien, rights, powers or remedies of the holders of the said Bonds, but such lien, rights, powers and remedies of the Trustee and of the bondholders shall continue unimpaired as before.

In case of any receivership, insolvency, bankruptcy or other similar proceedings affecting the Company or its property, the Trustee shall be entitled to file and prove a claim for the entire

amount due and payable by the Company under this Indenture at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Company hereunder after such date, without regard to or deduction for any amount which may have been or which may thereafter be received, collected or realized by the Trustee from or out of the Mortgaged Property or any part thereof or from or out of the proceeds thereof or any part thereof, but shall not be entitled to consent to any composition or plan of reorganization on behalf of any bondholder unless by him specifically authorized so to do.

Any moneys thus collected or received by the Trustee under this Section shall be applied by it first, to the payment of its expenses, disbursements and compensation and the expenses, disbursements and compensation of its agents and attorneys, and, second, toward payment of the amounts then due and unpaid upon such Bonds and coupons in respect of which such moneys shall have been collected, ratably and without preference or priority of any kind (subject to the provisions of Section 8.14 hereof with respect to extended, transferred or pledged claims for interest), according to the amounts due and payable upon such Bonds, at the date fixed by the Trustee for the distribution of such moneys, upon presentation of the several Bonds and upon stamping such payment thereon, if partly paid, and upon surrender thereof, if fully paid.

Section 14.16. Trustee May Enforce Claims Without Possession of Bonds. All rights of action (including the right to file proof of claim) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as trustee, without the necessity of joining as plaintiffs or defendants any holders of the Bonds hereby secured, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds, subject to the provisions of Section 8.14 hereof with respect to extended, transferred or pledged claims for interest.

Section 14.17. Limitation on Bondholder Suits. No holder of any bond shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or for the enforcement of any other remedy afforded by the Indenture, unless a Default has occurred of which the Trustee has been notified as provided in subparagraph (g) of Section 15.01 hereof, or of which by said subparagraph it is deemed to have notice, and unless also such Default shall have become an Event of Default and the holders of twenty-five per cent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and unless also they shall have offered to the Trustee indemnity as provided in Section 15.01 hereof; and such notification, request and offer of indemnity are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for foreclosure or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds outstanding

hereunder. Nothing in this Indenture contained shall, however, affect or impair the right of any bondholder which is absolute and unconditional to enforce the payment of the principal of, premium, if any, and interest on any Bond at and after the maturity thereof or the obligation of the Company which is also absolute and unconditional to pay the principal of and interest on each of the Bonds issued hereunder to the respective holders thereof at the time and place in said Bonds expressed.

Section 14.18. Restoration of Positions. In case the Trustee shall have proceeded to enforce any right under this Indenture by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored to their former positions and rights hereunder with respect to the mortgaged property, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 14.19. Voluntary Relinquishment of Trust Estate. At any time hereafter before full payment of the Bonds secured hereby, and whenever it shall deem it to be expedient for the better protection or security of such Bonds (although then there shall be no Default or Event of Default entitling the Trustee to exercise the rights and powers conferred by this Article), the Company, with the consent of the Trustee, may surrender and deliver to the Trustee full possession of the whole or of any part of the property, premises and interest hereby conveyed for any period, fixed or indefinite. In such event, the Trustee shall enter into and upon the premises so surrendered and delivered, and shall take and receive possession thereof for such period, fixed or indefinite, as aforesaid, without prejudice, however, to its right, at any time subsequently when entitled thereto by any provision hereof, to insist upon and to maintain such possession, though beyond the expiration of any prescribed period, and the Trustee from the time of entry shall work, maintain, use, manage, control and employ the same in accordance with the provisions of this Indenture, and shall receive and apply the income and revenues thereof as provided in Section 14.04.

ARTICLE XV

THE TRUSTEE

Section 15.01. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default of which the Trustee shall have knowledge, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise thereof, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this subparagraph (c) shall not be construed to limit the effect of subparagraph (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(4) whether or not an Event of Default shall have occurred, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 15.02. Certain Rights of the Trustee. Except as otherwise provided in Section 15.01:

(a) The Trustee may execute any of the trusts or powers hereof and perform any duties required of it by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trusts hereof and its duties hereunder, and may in all cases pay such reasonable compensation as it shall deem proper to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof and the Trustee may act (1) upon the opinion or advice of any attorney, surveyor, engineer or accountant selected by it in the exercise of reasonable care; (2) upon any Opinion of Counsel; or (3) upon any certificate or opinion conforming to the applicable requirements of this Indenture. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction in accordance with any such opinion, advice or certificate;

(b) The Trustee shall not be responsible for any recital or representation herein, or in said Bonds (except in respect of the certificate of the Trustee endorsed on such Bonds), or for the recording or rerecording, filing or refiling of this Indenture, or of any conveyance or instrument of further assurance, or for insuring the Mortgaged Property, or for the validity of, or of the

execution by the Company of, this Indenture or of any conveyance or instrument of further assurance, or for the validity of, or the sufficiency of the security for, the Bonds issued hereunder or intended to be secured hereby, or for the value or title of any of the Mortgaged Property, or for the payment of or for minimizing taxes, charges, assessments or liens upon the same, or otherwise as to the maintenance of the security hereof; except that in the event the Trustee enters into possession of a part or all of the Mortgaged Property pursuant to any provision of this Indenture, it shall use due diligence in preserving the Mortgaged Property; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the Company, except as hereinafter set forth; but the Trustee may require of the Company full information and advice as to the performance of the covenants, conditions and agreements aforesaid, and of the Company as to the condition of the Mortgaged Property;

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder or of any of the proceeds of such Bonds. The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not trustee;

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof;

(e) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon an Officers' Certificate as sufficient evidence of the facts therein contained and, prior to the occurrence of a Default of which it has been notified as provided in subparagraph (g) of this Section or of which by said subparagraph it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is or is not necessary or expedient, but may at its discretion, at the reasonable expense of the Company, in every case secure such further evidence as it may think necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Resolution in the property form, as conclusive evidence that such Resolution has been duly adopted, and is in full force and effect;

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee and the Trustee shall be answerable only for its own negligence or willful default;

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Default or Event of Default hereunder except an Event of Default arising for failure to make payment of principal, premium, if any, or interest or failure by the Company to file the documents required pursuant to Sections 8.08 or 8.09 hereof, unless and until a Responsible Officer shall have actual knowledge thereof or a written notice

thereof shall be filed with the Trustee by the Company or by the holders of at least ten per cent (10%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no Default or Event of Default, except as aforesaid;

(h) The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts during any period in which it may be in the possession of or managing the mortgaged property as in this Indenture provided;

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all of the Mortgaged Property, including all books, papers and contracts of the Company, and to take such memoranda from and in regard thereto as may be desired;

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises;

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action if by the Trustee deemed desirable for the purpose of establishing the right of the Company to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or the taking of any other action by the Trustee; and

(l) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the bondholders pursuant to this Indenture, unless such bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Section 15.03. Trustee's Compensation. The Trustee shall have a first lien with right of payment prior to payment on account of interest or principal of any bond issued hereunder upon the Mortgaged Property for reasonable compensation, expenses, outlays and counsel fees incurred by it in and about the execution of the trusts hereby created and the exercise and performance of its powers and duties hereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever, unless such liability is adjudicated to have resulted from the negligence or wilful default of the Trustee. The Company hereby covenants and agrees to pay all outlays, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trusts hereby created and to

reimburse it for any expenses paid and to pay the cost and expense incurred in defending against any liability in the premises of any character whatsoever, unless such liability is adjudicated to have resulted from the negligence or wilful default of the Trustee. The Company agrees to pay the Trustee reasonable compensation for its services in the premises, which compensation shall not be limited to or governed by any provision of law in regard to the compensation of trustees of an express trust.

Section 15.04. Notice of Events of Default. If a Default or Event of Default occurs of which the Trustee is by subparagraph (g) of Section 15.02 required to take notice or if notice of a Default or Event of Default is given as in said subparagraph (g) of Section 15.02 provided, then the Trustee shall give written notice (i) of any such Event of Default or (ii) of any Event of Default if and when any such Default becomes such an Event of Default, by registered mail to the last known owners of all Bonds Outstanding as shown by the list of bondholders required by the terms of Section 8.13 hereof to be kept at the office of the Trustee.

Section 15.05. Intervention in Judicial Proceedings. In any judicial proceedings to which the Company is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of Bonds issued hereunder, the Trustee may intervene on behalf of the bondholders and shall do so if requested in writing by the owners of at least ten per cent (10%) of the aggregate principal amount of Bonds then Outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of the Court having jurisdiction in the premises.

Section 15.06. Conversion, Merger, Consolidation or Sale of Business of Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which the Trustee is a party, ipso facto, shall be and become the successor trustee of the Trustee hereunder without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 15.07. Resignation of Trustee. The Trustee and any successor or successors hereafter appointed, may at any time resign from the trusts hereby created by giving thirty (30) days' written notice to the Company and the owners of the Bonds, and subject to Section 15.09 such resignation shall take effect at the end of such thirty (30) days, or upon the earlier appointment of a successor to such trustee by the bondholders or by the Company. Such notice may be served personally or sent by registered mail. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after giving such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 15.08. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee and to the Company, and signed by the owners of a majority in aggregate principal amount of Bonds then Outstanding.

Section 15.09. Resignation and Removal Becoming Effective. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 15.11.

Section 15.10. Successor or Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case the Trustee shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor trustee may be appointed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Company by an instrument executed by order of its Board of Directors, and signed by its President or any Vice-President and attested by its Treasurer or an Assistant Treasurer under its corporate seal, may appoint a temporary trustee to fill such vacancy until a successor trustee shall be appointed by the bondholders in the manner above provided; and any such temporary trustee so appointed by the Company shall immediately and without further act be superseded by the trustee so appointed by such bondholders. Every such successor or temporary trustee shall be a corporation or association in good standing, having a capital and surplus of not less than One Hundred Million Dollars ($100,000,000), and organized and doing business under the laws of the United States of America or any state hereof and authorized under such laws to exercise corporate trust powers, and, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. In the event that within one (1) year after the appointment of such temporary trustee by the Company the bondholders do not appoint a successor trustee, the appointment of the temporary trustee by the Company shall be and become final.

Section 15.11. Acceptance of Appointment by Successor. Every successor trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Company an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Company, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder. Should any deed, conveyance or instrument in writing from the Company be required by any successor trustee for more fully and certainly vesting in such successor the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor trustee, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Company. The resignation of any trustee and the instrument or instruments removing any trustee and appointing a successor hereunder, together with all deeds, conveyances and other instruments provided for in this Article shall, at the expense of the Company, be forthwith filed and/or recorded by the successor trustee in each recording office where the Indenture shall have been filed and/or recorded, provided, however, that none of said instruments shall be required to be filed and/or recorded in any recording office if, prior to the resignation of such trustee, all property of the Company located in territory served by such recording office shall have been released from the lien of the Indenture,

pursuant to the provisions hereof, and a proper release or releases thereof shall have been filed and/or recorded in such recording office.

Section 15.12. Separate Trustee or Co-Trustees. If at any time or times, in order to conform to any laws of any state or territory in which the Company now holds or at any time hereafter may hold any property, the Company or the Trustee shall so request, the Company and the Trustee shall have power to appoint and shall unite in the execution, delivery and performance of all instruments and agreements necessary or proper to constitute another trust company or bank or banking institution, or one or more persons approved by the Trustee, either to act as co-trustee or co-trustees of all or any of the property subject to the lien hereof jointly with the Trustee, or to act as separate trustee or trustees of all such property or any part thereof.

Section 15.13. Payment of Certain Charges. In case the Company shall fail seasonably to pay or to cause to be paid any tax, assessment or governmental or other charge upon any part of the mortgaged property, the Trustee may pay such tax, assessment or governmental charge, without prejudice, however, to any rights of the Trustee or of the bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the Prime Rate plus one percent per annum until paid, shall be repaid by the Company upon demand, and shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of the Bonds, and shall be paid out of the proceeds of any sale of the Mortgaged Property, if not otherwise paid by the Company; but the Trustee shall not be under any obligation to make any such payment unless requested so to do by the holders of at least ten per cent (10%) of the aggregate principal amount of Bonds outstanding hereunder and provided with adequate indemnity or funds for the purpose of such payment. The "Prime Rate" shall mean the rate of interest announced by _____ from time to time as its "prime commercial rate" or the equivalent.

Section 15.14. Instruments Accepted as Conclusive Evidence. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein provided that the Trustee shall examine the same to determine if they conform to the requirements of the Indenture and shall be full warrant, protection and authority to the Trustee for the authentication and delivery of Bonds or the withdrawal of cash hereunder; but the Trustee may, and the Trustee shall if requested in writing so to do by the holders of not less than ten per cent (10%) in aggregate principal amount of Bonds then Outstanding, cause to be made such independent investigation as to it may seem fit and the Trustee may decline to authenticate or deliver such Bonds or pay over such cash unless satisfied by such investigation of the truth and accuracy of the matters so investigated. The expense of such investigation shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand with interest, to the extent permitted by law, at the Prime Rate plus one percent per annum until paid.

ARTICLE XVI

ADDITIONAL PROVISIONS

Section 16.01. Immunity of Incorporations, Stockholders, Officers, Directors and Employees. No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any bond hereby secured, or because of the creation of any indebtedness hereby secured, shall be had against any incorporator, stockholder, officer, director or employee, present or future, of the Company or of any successor corporation, either directly or through the Company, by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any statute or otherwise; it being expressly agreed and understood that this Indenture, and the obligations hereby secured, are solely corporate obligations, and that no personal liability whatever shall attach to or be incurred by such incorporators, stockholders, officers, directors or employees of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness hereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in this Indenture, or in any of the Bonds hereby secured, or implied therefrom; and that any and all personal liability of every name and nature, and any and all rights and claims against every such incorporator, stockholder, officer, director or employee, whether arising at common law, or in equity, or created by statute or constitution, are hereby expressly released and waived as a condition of, and as a part of the consideration for, the execution of this Indenture and the issue of the Bonds and interest obligations secured hereby.

Section 16.02. Evidence of Action by Bondholders; Proof of Execution. Any request, direction, objection or other instrument required by this Indenture to be signed and executed by the bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such bondholders in person or by agent appointed in writing. Proof of the execution of any such request, direction, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution; and

(b) The fact of the holding by any party of Bonds transferable by delivery and the amounts and numbers of such Bonds, and the date of the holding of the same, may be proved by a certificate executed by any trust company, bank or bankers (wherever situated) stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank or to such banker, as the property of such party, the Bonds therein mentioned if such certificate shall be deemed by the Trustee to be satisfactory. The ownership of Bonds shall be proved by the bond register.

For all purposes of this Indenture and of any proceedings for the enforcement thereof, such person shall be deemed to continue to be the holder of such Bond until the Trustee shall have received notice in writing to the contrary.

Section 16.03. Exclusive Benefit of Indenture. Nothing expressed or mentioned in or to be implied from this Indenture, or the Bonds issued hereunder, is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds secured by this Indenture, any legal or equitable right, remedy or claim under or in respect of this Indenture, or any covenants, conditions and provisions herein contained in this Indenture and all the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds hereby secured as herein provided.

Section 16.04. Separability of Indenture Provisions. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases because it conflicts with any provision of any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or paragraphs in this Indenture contained shall not affect the remaining portions of this Indenture or any part thereof.

Section 16.05. Service of Notices to the Company and the Trustee. Any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or any bondholder shall be sufficiently given if delivered personally or mailed first-class postage prepaid or by overnight courier as follows: (i) if to the Company, to Unitil Energy Systems, Inc., 6 Liberty Lane West, Hampton, New Hampshire 03842-1720, Attention: Treasurer, or at such other address as the Company may furnish the Trustee in writing and (ii) if to the Trustee, to State Street Bank and Trust Company, 2 Avenue de Lafayette, Boston, Massachusetts 02111, Attention: Corporate Trust Department, or at such other address as the Trustee may furnish the Company in writing.

Section 16.06. Repayment of Unclaimed Money. In the event that any Bond issued hereunder shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for the redemption thereof and the Company shall have deposited with the Trustee for the purpose, or left with it if previously so deposited, moneys sufficient to pay or redeem such bond, the Trustee shall, upon demand of the Company, in case the holder of any such bond shall not, within six (6) years after the maturity of any such bond or the date fixed for the redemption of any such bond, claim the amount so deposited, pay over to the Company such amount, if the Company if at the time no Default or Event of Default has occurred or is continuing. The Trustee shall thereupon be relieved from all responsibility to the holder thereof and in the event of such payment to the Company the holder of any such Bond

shall be deemed to be an unsecured creditor of the Company for an amount equivalent to the amount deposited as above stated for the payment thereof and so paid over to the Company.

Section 16.07. Certificates or Opinions to Trustee. Each certificate or opinion provided for in this Indenture delivered to the Trustee with respect to compliance with a condition or covenant herein contained shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not in the opinion of such person such covenant or condition has been complied with.

Section 16.08. Successors and Assigns. Subject to the provisions of Articles XII and XV hereof, whenever in this Indenture any of the parties hereto is named or referred to this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Indenture contained by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

Section 16.09. Counterparts. This Twelfth Supplemental Indenture shall be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 16.10. Effect of Headings and Table of Contents. The cover of this Indenture and all article and descriptive headings and the table of contents are inserted for convenience only, and shall not affect any construction or interpretation hereof.

Section 16.11. New Hampshire Law Applicable. This Indenture and the Bonds shall be governed by and construed in accordance with the laws of The State of New Hampshire.

PART TWO
AMENDMENT OF PRIOR SUPPLEMENTAL INDENTURES FOR OUTSTANDING BONDS ORIGINALLY ISSUED UNDER THE ORIGINAL COMPANY INDENTURE

ARTICLE ONE
EIGHTH SUPPLEMENTAL INDENTURE DATED AS OF OCTOBER 14, 1994

Section 1.01. Amendments to Eighth Supplemental Indenture. As a result of the Restated Indenture set forth in the Twelfth Supplemental Indenture, the following references in the Eight Supplemental Indenture are corrected as follows:

(a)

ARTICLE TWO
NINTH SUPPLEMENTAL INDENTURE DATED AS OF SEPTEMBER 1, 1998

Section 1.01. Amendments to Ninth Supplemental Indenture. As a result of the Restated Indenture set forth in the Twelfth Supplemental Indenture, the following references in the Ninth Supplemental Indenture are corrected to read as follows:

(a)

ARTICLE THREE
ELEVENTH SUPPLEMENTAL INDENTURE DATED AS OF APRIL 20, 2001

Section 1.01. Amendments to Eleventh Supplemental Indenture. As a result of the Restated Indenture set forth in the Twelfth Supplemental Indenture, the following references in the Eleventh Supplemental Indenture are corrected to read as follows:

(a)

PART THREE
ISSUANCE OF NEW BONDS TO BE EXCHANGED FOR EXETER BONDS

ARTICLE I
NEW BONDS ISSUED IN EXCHANGE FOR EXETER SERIES K, 8.49% BONDS DUE 2024

Section 1.01. Terms and Provisions of Series L, 8.49% Bonds. As a result of the Merger, the Exeter Bonds described in clause (iv) of Article III of the Twelfth Supplemental Indenture, are being exchanged on the Merger Date for new Series L, 8.49% Bonds of the Company, the terms and provisions for which are set forth in Exhibit C attached hereto.

ARTICLE II
NEW BONDS ISSUED IN EXCHANGE FOR EXETER SERIES L, 6.96% BONDS DUE 2028

Section 1.01. Terms and Provisions of Series M, 6.96% Bonds. As a result of the Merger, the Exeter Bonds described in clause (v) of Article III of the Twelfth Supplemental Indenture, are being exchanged on the Merger Date for new Series M, 6.96% Bonds of the Company, the terms and provisions for which are set forth in Exhibit D attached hereto.

ARTICLE III
NEW BONDS ISSUED IN EXCHANGE FOR EXETER SERIES M, 8% BONDS DUE 2031

Section 1.01. Terms and Provisions of Series N, 8.00% Bonds. As a result of the Merger, the Exeter Bonds described in clause (vi) of Article III of the Twelfth Supplemental Indenture, are being exchanged on the Merger Date for new Series N, 8.00% Bonds of the Company, the terms and provisions for which are set forth in Exhibit E attached hereto.

IN WITNESS WHEREOF, UNITIL ENERGY SYSTEMS, INC. has caused this instrument to be executed in its corporate name by its President or one of its Vice-Presidents and its corporate seal to be hereunto affixed and to be attested by its Treasurer or one of its Assistant Treasurers, and STATE STREET BANK AND TRUST COMPANY, to evidence its acceptance of the trust hereby created, has caused this instrument to be executed in its corporate name by its President or one of its Vice-Presidents and its corporate seal to be hereunto affixed and to be attested by its Secretary or by one of its Assistant Secretaries, all as of the day and year first above written.

UNITIL ENERGY SYSTEMS, INC.

By:_____(CORPORATE
Its: President SEAL)

Attest:

_____
Treasurer

Signed, sealed and delivered
by Unitil Energy Systems, Inc.
in the presence of:

_____ _____
Name: Name:

STATE STREET BANK AND TRUST COMPANY

By:_____(CORPORATE
Its: Vice-President SEAL)

Attest:

_____
Assistant Secretary

Signed, sealed and delivered by
State Street Bank and Trust
Company in the presence of:

_____ _____
Name: Name:

SCHEDULE A

[Company to list all Real Property]

_____ OF _____)
) ss.:
COUNTY OF _____)

On this ____ day of _____, _____, before me personally appeared _____ and _____, to me personally known, who being by me duly sworn, did say that they are President and Treasurer, respectively, of Concord Electric Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed by them on behalf of said corporation by authority of its Board of Directors; and the said _____ and _____ acknowledged said instrument to be the free act and deed of said corporation.

_____ (NOTARIAL SEAL)

_____
Notary Public
My commission expires _____

_____ OF _____)
) ss.:
COUNTY OF _____)

On this ____ day of _____, ____, before me personally appeared _____ and _____, to me personally known, who, being by me duly sworn, did say that they are Vice-President and Assistant Secretary, respectively, of Old Colony Trust Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed by them on behalf of said corporation by authority of its Board of Directors; and the said _____ and _____ acknowledged said instrument to be the free act and deed of said corporation.

_____ (NOTARIAL SEAL)

_____
Notary Public
My commission expires _____

ENDORSEMENT

[Old Colony Trust Company, Trustee, being the mortgagee in the foregoing Indenture, hereby consents to the cutting of any timber standing upon any of the lands covered by said Indenture and the sale of any such timber so cut and of any personal property covered by said Indenture to the extent, but only to the extent, that such sale is permitted under the provisions of the Indenture.

Dated: Boston, Massachusetts

(CORPORATE SEAL)

OLD COLONY TRUST COMPANY,

By: _____
Its Vice-President.

Signed, sealed and acknowledged on behalf of Old Colony Trust Company in the presence of us:

_____ _____]
Name Name

AFFIDAVIT

[We, the undersigned, _____ and _____, being respectively President and Treasurer of Concord Electric Company, the mortgagor in the foregoing Indenture (being an indenture of mortgage), and being the persons authorized by said mortgagor to execute said instrument, and J. J. Walsh, being a Vice-President of Old Colony Trust Company as Trustee, the mortgagee in the foregoing Indenture, and being the person authorized by said mortgagee to execute and to receive on behalf of said Old Colony Trust Company the foregoing Indenture, as Trustee, for the benefit of the holders of the Bonds therein referred to, severally swear that the foregoing Indenture is made for the purpose of securing the debt specified in the condition of the Indenture and the Bonds issued and to be issued under said Indenture and the performance and observance of the agreements and conditions specified in said Indenture, and for no other purpose whatever; that the said existing debt was not created for the purpose of enabling the mortgagor to execute said Indenture, but is a just debt, honestly due and owing from the mortgagor to the holders thereof; that the said agreements are valid, true and just obligations of the mortgagor; and that the Bonds hereafter to be issued under said Indenture and other expectant future obligations hereafter to arise thereunder and to be secured thereby will be just obligations, honestly due and owing, when and as they are issued or come into existence; and

said _____ on behalf of said Old Colony Trust Company, swears that said Old Colony Trust Company, as Trustee, received said Indenture in good faith for the purposes therein stated.

_____

_____

_____

_____ OF _____)
) ss.:
COUNTY OF _____)

Subscribed and sworn to by the said _____, _____, and _____, this ____ day of _____, _____. Before me,

_____ (NOTARIAL SEAL)

_____
Notary Public
My commission expires _____

[FORM OF BOND]

UNITEL ENERGY SYSTEMS, INC.

First Mortgage Bond, Series ___, _____%
Due _____

No. ____ $_____

Unitel Energy Systems, Inc., a corporation organized under the laws of the State of New Hampshire (hereinafter called the "Company"), for value received, hereby promises to pay to _____ or registered assigns, on the _____ day of _____, _____, the principal sum of _____ Dollars ($_____) and to pay interest thereon from the date hereof at the rate of _____ per centum (_____%) per annum (computed on the basis of a thirty (30) day month and a three hundred sixty (360) day year) payable [insert frequency] on [insert payment dates] in each year, commencing with the ____ day of _____, _____, until said principal sum is paid; and to pay interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest at the rate of [insert overdue rate] % per annum. The principal of, premium, if any, and the interest on this bond shall be payable at the principal corporate trust office of State Street Bank and Trust Company, in Boston, Massachusetts, or at the principal corporate trust office of its successor as Trustee of the trust hereinafter referred to, or at the option of certain holders in accordance with the provisions of Section ____ of the _____ Supplemental Indenture hereinafter referred to, in lawful money of the United States of America.

This bond is one of a duly authorized issue of First Mortgage Bonds of the Company limited as to aggregate principal amount as set forth in the Indenture hereinafter mentioned, issuable in series, and is one of a series known as First Mortgage Bonds, Series ____, all bonds of all series being issued and to be issued under and pursuant to and all equally secured (except as any sinking or other fund, established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of July 15, 1958 (herein called the "Original Indenture") duly executed and delivered by the Company to Old Colony Trust Company (State Street Bank and Trust Company being successor Trustee and together with each predecessor trustee being called the "Trustee"), to which Original Indenture and to all Indentures supplemental thereto, including a _____ Supplemental Indenture (the "_____ Supplemental Indenture") dated as of _____ (herein together called the "Indenture") reference is hereby made for a description of the property transferred, assigned and mortgaged thereunder, the nature and extent of the security, the terms and conditions upon which the bonds are secured and additional bonds may be issued and secured, and the rights of the holders or registered owners of said bonds, of the Trustee and of the Company in respect of such security. Neither the foregoing reference to the Indenture, nor any provision of this bond or of the Indenture, shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay, at the stated or accelerated maturities herein provided, the principal of and premium, if any, and interest on this bond as herein provided.

EXHIBIT A
(to Twelfth Supplemental Indenture)

[Bonds of this Series ____ are entitled to the benefit of a required sinking fund provided for in the _____ Supplemental Indenture and shall become subject to redemption for the purposes of such sinking fund at the principal amount thereof without premium, plus interest accrued thereon to the date of such redemption, all on the conditions and in the manner provided in the _____ Supplemental Indenture.]

[Bonds of this Series _____ are also redeemable, in whole or in part, in integral multiples of _____ dollars, at the option of the Company on any date on at least 30 days' notice, in the manner, with the effect, subject to the limitations and for the amounts specified in Section _____ of the _____ Supplemental Indenture.]

[On the conditions and in the manner provided in the Section _____ of the _____ Supplemental Indenture, Series ____ Bonds may also become subject to redemption, in whole or in part, at any time on at least 30 days' notice, in the manner, with the effect and for the amounts specified in said Section _____, by the use of moneys deposited with or paid to the Trustee as the proceeds of the sale or condemnation of property of the Company or as the proceeds of insurance policies deposited with or paid to the Trustee because of damage to or destruction of property of the Company.]

[In the event that all or any part of the bonds of this Series _____ shall be redeemed or otherwise discharged prior to their maturity pursuant to or in accordance with the order of any governmental commission or regulatory authority upon the reorganization, dissolution or liquidation of the Company, or otherwise, the registered owners of such Series ____ Bonds shall be entitled to be paid therefor an amount specified in Section _____ of the _____ Supplemental Indenture.]

The Indenture provides that, if notice of redemption of any bond issued pursuant to its terms, including the Series ____ Bonds, or of any portion of the principal amount of any such bond selected for redemption has been duly given, then such bond or such portion thereof shall become due and payable on the redemption date, and, if the redemption price shall have been duly deposited with the Trustee, interest thereon shall cease to accrue from and after the redemption date, and that whenever the redemption price thereof shall have been duly deposited with the Trustee and notice of redemption shall have been duly given, or provision thereof made as provided in the Indenture, such bond or such portion thereof shall no longer be entitled to any lien or benefit of the Indenture.

In case an Event of Default, as defined in the Indenture, occurs, the principal of this bond may become or may be declared due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, upon books of the Company to be kept for that purpose at the corporate trust office of the Trustee under the Indenture, upon surrender thereof at said office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds, of like form and in an authorized denomination or in authorized

denominations and of the same series, for the same aggregate principal amount. Bonds of Series ____ upon surrender thereof at said office may be exchanged for the same aggregate principal amount of fully registered bonds of Series _____ of another authorized denomination or other authorized denominations, all upon payment of the charges, if any, and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for all purposes.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, any of the provisions of the Indenture or of any instrument supplemental thereto may be modified by the assent or authority of the holders of at least seventy-five per centum (75%) in principal amount of the bonds then outstanding thereunder, provided, however, that no such modification shall (i) extend the time or times or payment of the principal of, or the interest or premium, if any, on any bond, (ii) reduce the principal amount thereof or the rate of interest or premium thereon, (iii) authorize the creation of any lien prior or equal to the lien of the Indenture upon any property subject to the lien thereof, or deprive any bondholder of the benefit of the lien of the Indenture, (iv) affect the rights under the Indenture of the holders of one or more, but less than all, of the series of bonds outstanding thereunder unless assented to by the holders of seventy-five per centum (75%) in aggregate principal amount of bonds outstanding thereunder of each of the series so affected, (v) reduce the percentage of bonds, the holders of which are required to assent to any such modification, or (vi) in any manner affect the rights or obligations of the Trustee without its written consent thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond or of any claim based hereon or in respect hereof or of the Indenture, against any incorporator, stockholder, officer or director of the Company, or of any successor company, whether by virtue of any statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being by the acceptance hereof expressly waived and released and being also waived and released by the terms of the Indenture.

This bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Unitel Energy Systems, Inc. has caused this bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Treasurer or one of its Assistant Treasurers, and this bond to be dated the _____ day of _____.

UNITEL ENERGY SYSTEMS, INC.

By _____
Name:_____
Title:_____

ATTEST: _____
Treasurer

(Corporate Seal)

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the First Mortgage Bonds, Series _____ referred to in the within mentioned Indenture.

STATE STREET BANK AND TRUST COMPANY,
Trustee

By:_____
Authorized Officer

(FORM OF ENDORSEMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said bond on the books of the Company, with full power of substitution in the premises.

Dated: _____ _____

Signature of Registered Owner

In the presence of _____

NOTICE: The signature of this assignment must correspond with the name of the payee as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

UNITEL ENERGY SYSTEMS, INC.

CERTIFICATE OF NET BONDABLE EXPENDITURES

Certificate of Net Bondable Expenditures filed with STATE STREET BANK AND TRUST COMPANY (as successor to Old Colony Trust Company), Trustee, under Indenture of Mortgage and Deed of Trust dated as of July 15, 1958, as amended and supplemented (the "Indenture").

The undersigned, _____ and _____, being President and Treasurer, respectively, of Unitel Energy Systems, Inc. (the "Company"), a New Hampshire corporation, being duly sworn, depose and state as follows:

Upon application for Authentication and Delivery under Article Four of $_____ of First Mortgage Bonds, Series

(or here substitute appropriate language if certificate is in connection with withdrawal of cash or taking of credit)

the undersigned do hereby certify that the summary statements herein contained covering (i) the period from June 30, 1952 to, but not including, _____ (the "Merger Date") for Exeter and Hampton ("Exeter"), (ii) the period from May 31, 1958 to, but not including, the Merger Date for the Company and (iii) the period on or after the Merger Date through the date of calculation for the Company, are correct and complete, that the Property Additions for which the Gross Expenditures hereinafter referred to have been made constitute Property Additions as defined in Section 4.01 A of said Indenture and that the Company is now entitled to have authenticated and delivered said amount of First Mortgage Bonds, Series

(or here substitute appropriate language with respect to the withdrawal of cash or the taking of credit)

COMPUTATION OF NET EXPENDITURES FOR PROPERTY ADDITIONS

1. Gross Expenditures for Property Additions, the sum of: $_____

(i) Exeter Pre-Merger Gross Expenditures for Property Additions,..... $_____

(ii) Company Pre-Merger Gross Expenditures for Property Additions, and..... $_____

(iii) Company Post-Merger Gross Expenditures for Property Additions calculated from the Merger Date to date..... $_____

EXHIBIT B
(to Twelfth Supplemental Indenture)

[Here insert statement respecting New Gross Expenditures required by (i) of Section 4.01I.]

Total for (1) $_____

LESS

2. Net Retirements, the sum of: $_____

(i) Exeter Pre-Merger Net Retirements..... $_____

(ii) Company Pre-Merger Net Retirements, and..... $_____

(iii) Net Retirements, beginning with the Merger Date to date computed as follows:..... $_____

(a) Retirements, beginning with the Merger Date to date..... $_____

[Here insert statement respecting new Retirements required by (ii) of Section 4.01I.]

(b) Less all moneys received by or deposited with the Trustee pursuant to: Section 8.10--$; Section 8.12--$; Section 10.03-- $; and Section 10.04-- $; all from the Merger Date to date..... $_____

Company Post-Merger Net Retirements..... $_____

Total for (2) $_____

EQUALS

3. Net Expenditures for Property Additions, the sum of:

(i) Exeter Pre-Merger Net Expenditures..... $_____
[(1)(i) minus (2)(i)]

(ii) Company Pre-Merger Net Expenditures..... $_____
[(1)(ii) minus (2)(ii)]

(iii) Company Post-Merger Net Expenditures..... $_____
[(1)(iii) minus 2(iii)]

Total for (3) $_____

COMPUTATION OF NET BONDABLE EXPENDITURES
FOR PROPERTY ADDITIONS

(As of date of filing of this Certificate)

4. Net Expenditures for Property Additions,..... $_____

Same as (3) above.

LESS

5. Aggregate of Net Bondable Expenditures Heretofore Bonded, the sum of:

(i) Exeter Pre-Merger Bonded Expenditures..... $_____
(from Line 3 of Annex B)

(ii) Company Pre-Merger Bonded Expenditures..... $_____
(from Line 5 of Annex C)

(iii) Company Post-Merger Bonded Expenditures; namely, the amount certified pursuant to (5)(iii) of the last certificate filed after the Merger Date $_____ plus the amount certified pursuant to (11) of said last certificate filed $_____.... $_____

Total for (5) $_____

EQUALS

6. Net Bondable Expenditures at the date of this certificate, the sum of:

(i) Exeter Pre-Merger Bondable Expenditures..... $_____
[(3)(i) minus (5)(i)]

(ii) Company Pre-Merger Bondable Expenditures.... $_____
[(3)(ii) minus (5)(ii)]

(iii) Company Post-Merger Bondable Expenditures.. $_____
[(3)(iii) minus (5)(iii)]

Total for (6) $_____

STATEMENT OF NET BONDABLE EXPENDITURES
NOW TO BE BONDED

7. 147.06% of total of: aggregate principal amount of Bonds now to be issued under Article Four $_____; and aggregate amount of cash now to be withdrawn under Article Six $_____..... $_____

8. Total of Net Bondable Expenditures now to be appropriated under Section 8.07 $_____ and Section 12.01..... $_____

9. 147.06% of credits now to be entered against sinking and improvement funds under Article Nine..... $_____

10. Aggregate amount of cash for the withdrawal of which application is now made under (a) of Section 11.02..... $_____

11. Amount of Net Bondable Expenditures, if any, now to be Bonded..... $_____

Total of (7), (8), (9) and (10).

12. Amount of Net Bondable Expenditures, not now to be Bonded..... $_____

(6) minus (11).

(NOTE: The amount of (11) cannot exceed the amount of the Net Bondable Expenditures existing at the time of the filing of this certificate, namely, the amount certified pursuant to (6) above.)

Here insert statements required by Section 16.11 of the Indenture.

Dated _____

_____
President
Unitel Energy Systems, Inc.

_____
Treasurer
Unitel Energy Systems, Inc.

Subscribed and sworn to by _____, President, and _____, Treasurer, of Unitel Energy Systems, Inc., before me this _____ day of _____, 20___.

_____
Notary Public

CALCULATION OF EXETER
PRE-MERGER BONDED EXPENDITURES

The Exeter Pre-Merger Bonded Expenditures taken by Exeter for bonds issued, the withdrawal of cash or other credit taken under the Exeter Indenture using a ratio of 60% of Net Expenditures for Property Additions, is hereby calculated using a ratio of 68% rather than 60%:

(1) Net Bondable Expenditures of Exeter certified as Bonded pursuant to (5) of the last Exeter certificate plus the amount thereof certified pursuant to (11) of said certificate for a total of Net Bondable Expenditures of Exeter bonded using a 60% ratio..... $_____

(2) Amount of Bonds previously issued or cash withdrawn or other credit taken under the Exeter Indenture equals (1) above multiplied by 60%..... $_____

(3) Amount of Net Bondable Expenditures of Exeter which would have been bonded if a 68% ratio had been used equals (2) divided by 68% so Exeter Pre-Merger Bonded Expenditures equals..... $_____

[insert in (5)(i) of the Certificate of Net Bondable Expenditures]

ANNEX B TO EXHIBIT B
(to Twelfth Supplemental Indenture of Mortgage and Deed of Trust)

[Letterhead of LeBoeuf, Lamb, Greene & MacRae, L.L.P. - Boston office]

November 27, 2002

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Re: Unitil Corporation, et al. (File No. 70-10084)

Ladies and Gentlemen:

This opinion is furnished to the Securities and Exchange Commission (the "Commission") in connection with the filing with the Commission of the Application/Declaration on Form U-1 (File 70-10084) of Unitil Corporation (the "Company"), a New Hampshire corporation and a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended, and its public utility subsidiaries, Concord Electric Company ("CECo") and Exeter & Hampton Electric Company ("E&H") (the "Application-Declaration"). The Application-Declaration relates to the request by the Company, CECo, and E&H (the "Applicants") for Commission authorization of the proposed merger of E&H with and into CECo (the "Merger"), in connection with which, (i) all of the issued and outstanding shares of E&H common stock will be converted into a single share of CECo common stock, and (ii) each share of E&H cumulative preferred stock will be converted into a share of a new series of CECo cumulative preferred stock, with each new series of CECo cumulative preferred stock having the same terms and conditions as the existing series of E&H cumulative preferred stock for which they will be exchanged. Following consummation of the Merger, CECo will change its name to Unitil Energy Systems, Inc. ("UES"). The Applicants also request Commission authorization to amend and combine the debt indentures of CECo and E&H into a single UES indenture (the "UES Indenture") and revise the existing authorization for the Unitil system money pool, in each case, to reflect the Merger.

In connection with this opinion, we have examined originals, or copies certified to our satisfaction, of the Application-Declaration, the agreement and plan of merger between CECo and E&H dated November 27, 2002, the draft dated November 27, 2002 of

the amended and restated articles of incorporation of CECo (the "UES Charter"), the draft dated November 6, 2002 of the UES Indenture, various state commission applications and orders, and such other exhibits, documents, agreements, instruments, and/or other materials as we considered necessary or advisable in order to render the opinions set forth below. In such examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures on all documents examined by us, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all such documents submitted to us as copies and the authenticity of the originals of such latter documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid agreements, instruments, certificates, and documents. In addition, we have examined such questions of law as we considered necessary or appropriate for the purpose of rendering this opinion.

Based on the foregoing, and subject to the final paragraph hereof, we are of the opinion that when the Commission has taken the action requested in the Application-Declaration:

(1) All state laws applicable to the transactions described in the Application-Declaration will have been complied with.

(2) (a) CECo and E&H are each validly organized and duly existing under the laws of the State of New Hampshire; (b) the common stock and cumulative preferred stock of CECo to be issued in the Merger will be validly issued, fully paid and nonassessable, and the holders thereof will be entitled to the rights and privileges appertaining thereto set forth in the UES Charter; and (c) following the consummation of the Merger, the notes issued under the UES Indenture will be valid and binding obligations of UES, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors' rights generally, and to general principles of equity, regardless of whether such principles are considered at a proceeding at law or in equity, and further subject to the qualification that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to certain equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(3) CECo will legally acquire the assets and liabilities and succeed to the business of E&H through the Merger.

(4) The consummation of the Merger and related transactions will not violate the legal rights of the holders of any securities issued by CECo or E&H or any associate company thereof.

The opinions expressed above in respect of the approval of the transactions described in the Application-Declaration are subject to the following assumptions or conditions:

a. The Commission shall have duly entered an appropriate order or orders granting and permitting the Application-Declaration to become effective with respect to the Merger and all transactions connected therewith.

b. No act or event other than as described herein shall have occurred subsequent to the date hereof, which would change the opinions expressed above.

We hereby consent to the use of this opinion as an exhibit to the Application-Declaration. This opinion is intended solely for the use of the Commission and may not be relied upon by any other person or used for any other purpose. We are not, in this opinion, opining on laws other than the laws of the State of New Hampshire and the federal laws of the United States.

Very truly yours,

/s/ LeBoeuf, Lamb, Greene & MacRae, L.L.P.

CONCORD ELECTRIC COMPANY AND EXETER & HAMPTON ELECTRIC COMPANY

Notice of Intent to File Rate Schedules
And Proposal to Restructure

Order Approving Phase II Settlement Agreement; Amendment to Phase I Settlement Agreement; and, Denying Motion for Rehearing of Order No. 24,046

ORDER NO. 24,072

October 25, 2002

APPEARANCES: Scott J. Mueller, Esq. and Meabh Purcell, Esq. of LeBoeuf, Lamb, Greene & MacRae, L.L.P. for Concord Electric Co., Exeter & Hampton Electric Co. and Unitil Power Corp.; Wynn Arnold, Esq. of the New Hampshire Attorney General's Office and James K. Brown, Esq. for the Governor's Office of Energy and Community Services; Michael W. Holmes, Esq. for the New Hampshire Office of Consumer Advocate; Michael Giaimo for the Business and Industry Association of New Hampshire; Alan Linder, Esq. of New Hampshire Legal Assistance for Wendy Page; and Edward N. Damon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On January 25, 2002, Concord Electric Company (CEC), Exeter and Hampton Electric Company (E&H), and Unitil Power Corp. (UPC) (collectively, Unitil, the Unitil Companies or the Companies) filed with the New Hampshire Public Utilities Commission (Commission) a petition for approval of an offer of settlement for restructuring the three Unitil Companies.

In order to deal with the numerous issues raised by the filing in an efficient way, the proceedings were divided into three phases. The focus of the Phase I proceedings was on how Unitil will implement electric industry restructuring pursuant to RSA 374-F.

On May 31, 2002, a Phase I Settlement Agreement for Restructuring the Unitil Companies (Phase I Settlement Agreement) was filed on behalf of Unitil, Commission Staff, the New Hampshire Office of Consumer Advocate (OCA), the Governor's Office of Energy and

Community Services (GOECS), the Business & Industry Association of New Hampshire (BIA) and Representative Jeb Bradley. Among other things, the Phase I Settlement Agreement set forth a plan for the divestiture of Unitil's resource portfolio and the solicitation of transition and default service.

Following a hearing before the Commission on June 6, 2002, the Commission conducted its oral deliberations and conditionally approved the Phase I Settlement Agreement on August 16, 2002. Subsequently, the Commission issued its written order. Concord Electric Company and Exeter & Hampton Electric Company, Order No. 24,046 (August 28, 2002) (Phase I Order)./1 The Phase I Order recites details of the procedural 1 history of this docket particularly relevant to the Phase I proceedings which will not be repeated here.

After the hearing on June 6, 2002, the parties turned their attention to completion of discovery, filing of testimony by the non-Unitil parties and settlement negotiations regarding the Phase II issues, which included the consolidation and reorganization of the operations of the Unitil Companies and the setting of new, unbundled rates for the two retail electric utilities.

On June 28, 2002, the OCA filed the direct testimony of its witness, Kenneth E. Traum. On July 3, 2002, New Hampshire Legal Assistance filed the testimony of Wendy Page, a low income customer of E&H who had been granted leave to intervene in the Phase II proceedings. Also on July 3, 2002, Commission Staff filed the direct testimony of Staff witnesses James J. Cunningham, Maureen Sirois, Henry Bergeron and Steve Mullen and Staff consultants George McCluskey, Lee Smith and Michael Cannata, Jr. On July 19, 2002, Commission Staff filed the

substituted direct testimony of Henry Bergeron.

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1 On the same day the Commission issued its written Phase I Order, a letter was filed with the Commission on behalf of the Phase I settling parties (not including Commission Staff) which expressed concerns with the Commission's oral deliberations.

The procedural schedule for Phase II was modified several times. On July 19, 2002, the Commission issued a secretarial letter rescheduling the Phase II hearings from July 22 through July 26, 2002, to September 3 through September 13, 2002. In a later secretarial letter dated September 6, 2002, the Commission established September 11 through September 13, 2002 as the dates for the hearings.

On September 3, 2002, a Phase II Settlement Agreement was filed with the Commission on behalf of the Phase I parties and Wendy Page. On September 6, 2002, the Unitil Companies filed with the Commission copies of its Federal merger-related filings./2

Hearings on the Phase II Settlement Agreement were held on September 11-13, 2002. On September 12, Commission Staff, on behalf of the Phase I parties, filed with the Commission a First Amendment to the Phase I Settlement Agreement addressing the Commission's conditions set forth in its Phase I Order (Amendment to Phase I Settlement Agreement, or, as the context allows, the Amendment)./3 The cover letter accompanying the Amendment noted that GOECS intended to file a separate motion for rehearing on the Phase I Order. Also on September 12, 2002, the Unitil Companies filed with the Commission Tabs A and B of the Amendment, together with a motion for protective order requesting confidential treatment of that information.

At the conclusion of the hearing on the Phase II issues on September 12, 2002, the Commission notified the parties present/4 of the hearing to be held on the following day regarding the Amendment; the Unitil Companies undertook to provide actual notice to Representative

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2 These merger-related filings were Unitil's Section 203 Application filed with the Federal Energy Regulatory Commission (FERC) on August 30, 2002 and its U-1 Application filed with the Securities and Exchange Commission also on August 30, 2002.

3 The Amendment was signed by representatives of the Unitil Companies, Commission Staff, OCA, GOECS and the BIA.

4 The BIA, OCA, GOECS, Commission Staff and the Unitil Companies, as well as New Hampshire Legal Assistance on behalf of Wendy Page, received actual notice in this way. See Hearing Transcript of September 12, 2002 (Day II Tr.) at pages 79-80.

Bradley./5 The Commission heard testimony on the Amendment following the conclusion of the hearings on the Phase II issues, and the Commission approved the Amendment in a ruling made from the bench on September 13.

On September 18, 2002, the Commission orally deliberated the Phase II Settlement Agreement and approved it.

On September 26, 2002, GOECS filed a motion for rehearing of the Phase I Order. On September 27, 2002, New Hampshire Legal Assistance, filed a letter in support of GOEC's motion on behalf of Wendy Page, a party to the Phase II proceedings.

On October 1, 2002, Unitil filed supplemental testimony of David K. Foote regarding certain contract negotiations pursuant to section 3.3 of the Amendment to Phase I Settlement Agreement, together with a motion for protective order requesting confidential treatment of Mr. Foote's testimony containing the economic analysis of UPC's restructuring of its purchased power agreement with Great Bay Power Corporation (GBPC). The contract negotiations resulted in an agreement to amend a purchased power agreement between UPC and GBPC, originally dated April 26, 1993, for the purchase of power from the Seabrook nuclear unit, as well as amendments and restatements of two unit power contracts between UPC and New England Power Company for the purchase of approximately five megawatts from the Vermont Yankee nuclear plant.

On October 17, 2002, pursuant to section 3.3.4 of the Phase II Settlement Agreement, CEC and E&H filed a cost analysis in support of Unitil's imposition of a one percent per month late payment fee on residential customers.

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5 Unitil confirmed that it gave actual notice of the hearing to Representative Bradley and that he supported the Amendment. See Hearing Transcript of September 13, 2002 (Day III Tr.) at page 5.

II. AMENDMENT TO PHASE I SETTLEMENT AGREEMENT AND UNITIL'S MOTION FOR PROTECTIVE ORDER REGARDING TABS A AND B

As specified in section 1.3 of the Amendment,

> [t]he purpose of this Phase I Settlement Amendment is to address the concerns and conditions announced in the Phase I Order in a manner that will allow a successful bidding process by proposing an alternative solicitation and evaluation process. These modified procedures are designed to provide for a robust solicitation that preserves the original timelines and effective date of May 1, 2003, proposed by the Parties. The revised procedures are also intended to establish guidelines for the Commission's evaluation of pricing alternatives in order to expedite the review process and mitigate regulatory risk that may inadvertently increase bid prices. The Phase I Settlement Amendment also seeks to clarify and resolve certain issues of the Parties in order to avoid the need for pursing motions for rehearing on such issues. The Phase I Settlement Amendment supplements, and incorporates, the Phase I Settlement except as specifically modified herein.

DE 01-247 - 7 - Among other things, the Phase I Order required Unitil to solicit bids for transition service for Non-G-1 customers under four pricing options for alternative dates for implementing customer choice./6 The Phase I Order also required a delay in the execution of contracts for the divestiture of the Unitil power supply portfolio and the acquisition of transition service pending the Commission's review and determination of which pricing alternative is in the public interest. Additionally, the Phase I Order required Unitil to provide the Commission with information on any contract renegotiations during the restructuring proceeding and to seek approval of those renegotiations, as provided for contract buyouts in section 3.2.2 of the Phase I Settlement Agreement.

Under the Amendment to Phase I Settlement Agreement, the following revisions to the request for proposal (RFP) specifications, procedures and schedules are proposed:

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6 The alternative dates for implementation of customer choice were (i) coincident with the start of transition service; (ii) one year following the start of transition service; (iii) two years following the start of transition service; and (iv) at the end of the three year transition service term. Phase I Order, at page 41.

o The portfolio divestiture and supply solicitation RFPs will be modified to state that the Commission has reserved the right to determine the customer choice date for Non-G-1 customers, with such determination to be made after all bids are received based on the evaluation of bid prices for immediate choice and delayed choice alternatives for transition service. Amendment, section 2.1.

o The supply solicitation RFP will require that initial round bids for Non-G-1 transition service supply must state separate prices for each of four possible alternative dates for implementation of customer choice. Further, the RFP will reserve to the Company the right to revise these bid specifications prior to the solicitation of final round bids. Upon receipt of the indicative bids, the Company will prepare and file information with the Commission and a hearing will be conducted in accordance with the previously filed Confidential Agreed-Upon Selection Procedures and Criteria, as amended by the Revisions to Confidential Agreed-Upon Selection Procedures and Criteria (collectively, the Agreed-Upon Procedures), attached to the Amendment as Tab A. The parties requested an order from the Commission by January 30, 2003, on decisions required as a result of the initial bidding. Amendment, section 2.2.

o The Company will solicit final bids in a form consistent with the Commission's orders and will evaluate the bids received in accordance with the Agreed-Upon Procedures. Based on that evaluation, the Company will execute a contract with the winning bidder, with the effectiveness of such contract to be subject to receipt of final regulatory approvals. Amendment, section 2.3.

o The proposed supply RFP will be amended to state that retail choice will be governed by the retail tariff approved in this proceeding, as that tariff may be subsequently amended, whether choice begins coincident with transition service or at a later date. Finally, the proposed

Non-G-1 transition service supply contract shall also be amended to the extent necessary to accommodate alternative dates for the commencement of customer choice. Amendment, section 3.4.

o The schedule of milestones will remain in effect, as modified and proposed in the Phase II Settlement Agreement, with the following exceptions:

PHASE III	
November 5, 2002	Commencement of Portfolio Divestiture RFP
November 12, 2002	Commencement of Supply Solicitation RFP
January 17, 2003	Indicative Bids Due under both RFPs
January	21, 2003 Potential adjustments to Monthly Payment Stream, if any, and recommendations of final round bid specifications filed with Commission
January 24, 2003	NHPUC Hearings on issues raised in January 21 filing
January	24, 2003 Commission Order on Stranded Cost Charges and final round specifications for both RFPs requested.
All subsequent dates	As indicated in Phase II Settlement, except that the date for implementation of Choice for Non-G-1 customers may be delayed past May 1, 2003

In addition to such revisions, the Amendment to Phase I Settlement Agreement clarified that the proposed supply contracts will be amended to include the following provisions regarding distribution losses:

o each supplier of transition and/or default service will be responsible for supplying all energy necessary for the total of end-use consumption by the customers in the respective customer group taking such service(s) and the associated distribution losses; and

o payment for energy consumption and distribution losses will be based on the contract price for all such energy measured at the contract delivery points. Amendment, section 3.1.

On the other hand, Unitil Energy Systems, Inc. (UES), the proposed successor to CEC and E&H, will bear all responsibility for uncollectible accounts among customers of transition and/or default service, and will so indicate in the RFP. Amendment, section 3.2.

Finally, Unitil agreed to file detailed information with the Commission regarding any renegotiations of any supply contract in the UPC portfolio, including an explanation of why the renegotiated contract will benefit customers, and to seek the Commission's approval of the corresponding change to the portfolio sale RFP. Such information will be filed by no later than October 1, 2002, with respect to the Great Bay contract renegotiation and the two NEP-VT Yankee contract amendments, and as soon as practicable with respect to subsequent contract renegotiations, if any. Amendment, section 3.3.

Unitil's motion for protective order filed with the Commission on September 12, 2002 seeks to prevent public disclosure of Tabs A and B to the Amendment to Phase I Settlement Agreement. These Tabs contain the specific procedures and criteria to be used to evaluate the bids in the transition service solicitation. According to Unitil, the purpose of protective treatment of such confidential business information is to avoid a detrimental impact on the proposed transition service solicitation. Unitil states that public disclosure of such materials could provide an unfair advantage to some bidders and thus potentially reduce the value to be attained for Unitil's customers in the acquisition of transition service supply. No party opposed this motion.

III. MOTION FOR REHEARING OF PHASE I ORDER

In its motion for rehearing, GOECS requests that the Commission reconsider the condition in the Phase I Order that bids for Non-G-1 transition service include alternative pricing

for various scenarios. Specifically, the Commission is asked to "refrain from delaying competitive choice" for Unitil's Non-G-1 customers.

The motion argues that any delay in customer choice for Unitil's Non-G-1 customers is not supported by substantial record evidence and is not in the public interest. GOECS states that it signed the Amendment to the Phase I Settlement Agreement because the Amendment allows for an expeditious review and approval of the bids for transition service in a manner that may render its expressed concerns moot.

The motion is characterized as a "protective filing" and it strongly urges that after the indicative bid phase of the transition service solicitation process is completed, the Commission reconsider the use of migration pricing data as a basis for delaying competitive choice and allow choice to proceed without delay for all of Unitil's customers. As a policy matter, the motion states it would be unwise to pick and choose between customer classes as to who is and who is not entitled to choice. The motion further states that it would be inappropriate and unfair to deny the Non-G-1 customers the benefits of competition, while allowing similar customers of the utilities that have restructured the very same benefits.

The motion recognizes there is not yet a robust competitive market in New Hampshire; it expresses concern that competition is less likely to become a reality if potential competitors believe that the State has changed its mind about competition and is calling a halt to the process. According to the motion, delay would have a chilling effect on the development of competition in Unitil's service territories and the areas of the State currently eligible for choice. Alternatively, the motion contends that opening Unitil's service territory to competition will benefit the electric customers in the rest of the State by encouraging the development of this nascent market.

The motion asserts that the Commission relied on the near term rate relief principle as its basis for imposing the alternative bid condition in the Phase I Order. Such reliance, it is argued, is misplaced for two reasons.

First, the motion states that Unitil has already satisfied the near term rate relief principle by virtue of having the lowest rates in the State, and concludes that it would not be sound policy to delay choice due to the fear that a migration premium might be imposed, especially where, according to GOECS, the alternative bid condition could diminish rather than enhance the number of bidders and thus adversely affect the price. Second, it would take a significant migration premium for Non-G-1 customers to raise Unitil's rates above the regional average, a premium which, according to the motion, no one contends is remotely likely. The motion asserts that it is not sound policy to threaten delay of competition in order to accommodate the possibility that a migration premium might defeat the near term rate relief goal.

Apart from the issue of near term rate relief, the motion states that the policy question becomes whether the costs of delay are outweighed by the benefits of avoiding the migration premium. The analytical value of the alternative pricing mechanism is questioned in light of testimony by David Foote.

Referring to sections 3.2.4 and 3.3.5 of the Phase I Settlement Agreement, the motion notes that the Phase I parties agreed that if there is a significant increase in customer rates as a result of the solicitation and/or divestiture processes, the Commission has the power to halt Unitil's restructuring. Absent such an increase, the motion concludes that the Commission should provide Unitil's customers with the same opportunity for customer choice that has already been made available to over 80% of electric service customers in New Hampshire.

In its cover letter accompanying its motion, GOECS reported that the Unitil Companies and the OCA take no position on the motion and the BIA indicated it needed further time to review the motion. Furthermore, Commission Staff has taken no position on the motion. As noted above, however, Wendy Page supports the motion.

IV. TERMS OF THE PHASE II SETTLEMENT AGREEMENT

In the Phase II Settlement Agreement, the parties seek approvals and findings by the Commission on a broad range of matters, including those related to the combination of Unitil's New Hampshire utility operations, the amendment of the Unitil System Agreement, the establishment and implementation of unbundled rates for UES, the reclassification of distribution and transmission plant, and the obligations of UES upon the commencement of retail choice. The summary of the terms of the Phase II Settlement Agreement set forth below generally follows the sequence in which these matters are set forth in the Agreement.

A. Combination of Unitil's New Hampshire Operations

In accordance with section 3.1.1, the "utility operations" of CEC, E&H, and UPC are proposed to be combined into a single distribution company to be called Unitil Energy Systems (UES). UES will provide its customers with unbundled distribution services and will have the obligation to provide transition and default service from the competitive market. However, except for transition and default service, UES will have no obligations with respect to the assurance of adequate and reliable electric energy supply for its customers as of Choice Date./7 Section 3.5.

The combination of utility operations involves a corporate merger of the two retail utilities and a rearrangement of operations between UPC and the surviving retail utility. UPC

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7 Choice Date is defined as the date on which all UES customers are allowed to choose competing electric energy suppliers, targeted for May 1, 2003. Section 1.3.1.

will continue as a corporate entity, although its functions will be significantly different than they are now.

Tab B attached to the Phase II Settlement Agreement summarizes how the proposed corporate merger will be accomplished E&H will be merged into CEC in accordance with RSA 374:33 and RSA 369:1, and CEC will be renamed UES. In connection with the merger, UES will issue four new series of preferred stock in exchange for E&H preferred stock pursuant to RSA 369:1; Unitil Corporation will contribute $528,170 of common equity capital to UES which is currently included in UPC's net worth; UES will obtain short term borrowing authority in an amount up to $16,000,000 to replace the total existing short term borrowing authority of CEC and E&H; UES will issue a restated First Bond Indenture to replace the existing First Mortgage Bond Indentures of CEC and E&H; and UES will be allowed to participate in the Unitil System money pool. Subject to the receipt of Federal regulatory approvals, the merger will be accomplished in time for the proposed UES tariff to take effect on December 1, 2002.

Unitil characterizes the merger of CEC and E&H resulting in the creation of UES as an internal corporate reorganization./8 As a result of the merger, all of E&H's assets and liabilities will by operation of law become the assets and liabilities of CEC.

Upon the effectiveness of the merger, all of the issued and outstanding shares of E&H common stock will be converted into a single share of CEC common stock and each share of E&H cumulative preferred stock will be converted into a share of a new series of CEC cumulative preferred stock with the same terms and conditions as the existing series of E&H cumulative preferred stock. The common and preferred shares of CEC will remain outstanding and will not be affected by the merger.

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8 The description of the merger plan is based in part on the details provided in Unitil's Section 203 FERC filing made on August 30, 2002, included in the record of this docket as Exhibit 22.

The merger is subject to the approval of the boards of directors of CEC and E&H. In addition, Unitil intends to solicit the necessary written consents in favor of the merger from common and preferred shareholders with the right to vote on the merger, including the holders of the outstanding series of E&H cumulative preferred stock. Unitil states that it currently intends to cause E&H to redeem the shares of any series of its cumulative preferred stock which does not consent to the merger. In any event, Unitil controls the outcome of these votes and consents.

The merger has been structured to qualify as a tax free reorganization. The accounting for the merger will be similar to a pooling of interests under which the combination of ownership interests of the two companies is recognized and the recorded assets, liabilities and capital accounts are carried forward at existing historical balances to the consolidated financial statements of UES.

The Phase II Settlement Agreement reflects the rearrangement of utility operations in several sections. For example, under section 3.1.3, all charges of Unitil Service Corporation (USC)/9 for New Hampshire utility operations, including certain charges now allocated to UPC, will be charged to UES. A portion of the USC costs allocated to UPC in the test year is proposed to be included in UES' test year costs for establishing base distribution rates./10 Such costs relate to services provided by USC to UPC, which include (i) regulatory, finance and accounting services; (ii) information technology; (iii) engineering operations; (iv) energy services; (v) customer services; and (vi) corporate and administrative services. However, the proposed test year costs have been reduced to reflect the anticipated mitigation of costs related to the energy services function, resulting in a $220,000 decrease below test year levels. The parties agreed that

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9 At present, USC provides services for CEC, E&H and UPC, as well as Fitchburg Gas & Electric Light Company, an affiliated utility operating in Massachusetts.

10 In their testimony at hearing, the parties refer to this as the "UPC roll in" of Administrative and General costs.

UES will be allowed to recover reasonable severance costs in the event any of the six energy services employees of USC are severed as a result of restructuring.

Section 3.2.1 provides for an Amended Unitil System Agreement (Amended System Agreement) between UPC and the retail utilities. The Amended System Agreement, which is described in further detail below in the next subsection, reflects changes being made in the obligations for the procurement of power supply resulting from restructuring.

Section 3.3.5.2 is another provision dealing with the rearrangement of utility operations. Pursuant to this section, UES' ongoing, internal company administrative costs of providing transition and default service will be recovered in base distribution rates. Another example is contained in the Hydro Quebec Mitigation Plan, also described below, providing that all time charges for Unitil employees involved in the H-Q marketing and administration efforts will be classified as "Energy Services" related and charged to UES.

B. Establishment of the Amended System Agreement and Certain Aspects of Stranded Cost Mitigation

The Commission is asked to approve the Amended System Agreement between UPC and CEC and E&H (and later UES as the successor to CEC and E&H) as a replacement for the existing Unitil System Agreement (System Agreement) between UPC, CEC, and E&H. Section 3.2.1 et seq. Approval of the Amended System Agreement by FERC will be sought after its approval by the Commission. Section 3.2.3.

The existing System Agreement, which is subject to FERC regulation as a wholesale power contract, provides for the supply of wholesale power by UPC to the two retail utilities on a firm, all requirements basis and contains a comprehensive formula for the charges to be paid to UPC.

Under the Amended System Agreement, UPC will agree to waive the minimum 7.5 year notice of termination provision, terminate its power supply service, and divest most of its power supply portfolio. In exchange, UES will agree to pay to UPC so-called Contract Release Payments (CRP) and Administrative Service Charges (ASC). CRP include (i) monthly Portfolio Sale Charges payable to the successful portfolio bidder; (ii) Residual Contract Obligations for power contract obligations not included in the portfolio sale; (iii) Hydro Quebec support payments; and (iv) prior period true-ups./11 ASC include specified third party and regulatory charges incurred by UPC relative to its fulfillment of its duties under the System Agreements. The Amended System Agreement, which will also be subject to FERC regulation, is to take effect on the Divestiture Date./12

As further described below, UES will recover the CRP it pays to UPC through the Stranded Cost Charge (SCC). The parties have agreed that the recovery of CRP by UES reflects an equitable, appropriate, and balanced recovery of the stranded costs of its predecessors, CEC and E&H. Section 3.2.1. UES will recover the ASC it pays to UPC as part of the External Transmission Charge, a charge which is being renamed, with the parties' permission, as the External Delivery Charge (EDC) in this Order.

Pursuant to section 3.2.2, in order to ensure the full mitigation of stranded costs, Unitil proposes to implement the Hydro Quebec Mitigation Plan set forth in Tab C. This Plan requires Unitil to continue to undertake efforts to market the HQ-II resource in order to offset the costs of that obligation and include a report to the Commission on these mitigation efforts as part of UES' annual SCC reconciliation filing.

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11 True-ups include the balance in the fuel and purchased power account at the beginning of the transition service period together with the balance in the transition service account at the end of that period.

12 The Divestiture Date is defined as the date when Unitil's existing power supply and associated contracts are disposed of through sale or otherwise to one or more third parties, targeted for May 1, 2003. Section 1.3.4.

Finally, the parties seek the Commission's approval to exclude the power supply contract with the Massachusetts Municipal Wholesale Electric Company (MMWEC) from the portfolio sale RFP. Section 3.2.4. As more fully described in Unitil's filing with the Commission on July 15, 2002, Unitil negotiated a buyout of that contract in an effort to achieve customer savings from lower cost UPC purchases following termination and also to mitigate stranded costs.

C. Establishment and Implementation of Unbundled Rates for UES, Including New Base Distribution Rates

The Commission is asked to approve UES' new tariff, under which UES' rates for electric service will be unbundled into separate components related to distribution service costs, external transmission and other outside services costs, stranded costs, systems benefits costs, transition or default service costs, New Hampshire electricity consumption tax, and, on an interim basis, fuel and purchased power costs and restructuring costs. Although the consolidated UES tariff is to become effective on December 1, 2002, the various charges and surcharges under the tariff do not all take effect at the same time. The New Hampshire electricity consumption tax is already a separate charge on CEC's and E&H's bills. The proposed distribution charges, interim fuel and purchased power charges, and restructuring surcharge would take effect on December 1, 2002, with the rest of the charges to take effect on Choice Date. Sections 3.3.1 and 3.3.2.

1. Base Distribution Rates, Including Revised Cost of Service and Rate Design Features

The base distribution rates for UES will be reflected in a Customer Charge and a Distribution Charge. See e.g., Tab D at page 4. The Commission is asked to approve new distribution rates reflecting a total revenue deficiency of $1,985,324, of which $1,871,324 is to be included in distribution service rate design and $114,000 is to be attributable to residential late

payment fees. See Section 3.3.3 and Tab E./13 The total revenue deficiency represents an increase of approximately 1.6% over total 2001 test year revenues of CEC and E&H, or approximately 7.2% over their test year distribution revenues.

Under section 3.3.4, the residential late payment fees would be recoverable subject to a demonstration by Unitil that the late payment fee charged complies with the Commission's recently revised rule. However, the late payment fee for low income customers who provide evidence of eligibility for certain low income assistance programs would be waived.

The cost of service is calculated with an overall allowed rate of return of 8.59%, including a return on equity of 9.67% applied to a hypothetical capital structure of 42% equity and 58% debt. Section 3.3.3.1. Until UES' next rate case, the cash dividends paid on an annual basis by UES will be limited to an amount no higher than the cash dividends paid by CEC and E&H during the test year. The parties acknowledge that the use of a hypothetical capital structure and the dividend limitation reflects a commitment to increase the equity component of UES' capital structure over time in order to ensure continued financial flexibility and access to capital at reasonable rates.

The cost of service also includes a test year depreciation expense of $5,038,718, which reflects an overall net salvage rate of negative 20% and an overall average service life of approximately 31 years. Section 3.3.3.2. The test year depreciation expense amount consists of two components depreciation expense on test year Utility Plant as of December 21, 2001, of $4,465,756 and amortization of the depreciation reserve indicated imbalance, $2,864,805, over five years at the rate of $572,961. In addition, UES will continue with the existing depreciation systems for General Plant. Regarding the Transportation Plant account, UES will extend the

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13 Exhibit 20-S is the completely printed version of Tab E. See Hearing Transcript of September 11, 2002 (Day I Tr.) at pages 73-74.

lives of classes which comprise the account to reflect a composite of approximately ten years and will use a net salvage rate of a positive 12%.

Under section 3.6, UES agrees to file a general base rate case and an updated depreciation study using the whole life methodology no later than five years from the issuance of the Commission's final order. According to Unitil, its commitment to file a new rate case within five years includes a commitment to file a fully allocated cost study for rate design purposes. See Day II Tr. at page 28.

The distribution charges are designed, among other things, to (i) reduce by one-third the differential between Block 1 and Block 2 of the residential rate from an average of $0.01401 per kilowatt hour (kWh) to $0.00934 per kWh based on rate continuity principles; (ii) adjust the bill impacts for the G-1 and G-2 customers halfway from the proposed rate impact to the overall rate impact for G-1 and G-2 classes, with the resulting revenue reconciled in the OL class; (iii) eliminate time of use (TOU) rates, with the provision that metering fees will be waived for current TOU customers who take TOU service from competitive suppliers; (iv) moderate bill impacts for the largest G-2 kWh meter customers (over 1,000 kWh per month) by installing demand metering; and (v) maintain the distribution energy charge at current levels for G-1 and G-2 customers. Section 3.3.10.

2. Rate Design of Other Unbundled Charges and Surcharges

Other charges for which approval is sought include:

o Interim Fuel and Purchased Power Charge (IFPPC). The IFPPC is designed to reflect the merger of CEC and E&H into UES, implement the revised rate designs agreed to by the parties for the fully restructured rates, and offset the increase in the distribution charges through a corresponding decrease in power supply charges. Section 3.3.2; see Tab D at page 69. In part,

the IFPPC will be based on the Fuel Adjustment Charge and Purchased Power Adjustment Charges (FAC-PPAC) for CEC and E&H scheduled to take effect on November 1, 2002./14 See Day I Tr. at pages 31-33; see also Day III Tr. at pages 37-38. The IFPPC is scheduled to end on the last day before Choice Date.

o Transition Service Charges (TSC) and Default Service Charges (DSC). The TSC and DSC are fully reconciling mechanisms for UES to recover the costs of providing transition service and default service to its customers. Section 3.3.5; see Tab D at pages 76-83. The rate levels established for effect on Choice Date will be calculated on the basis of the transition and default service solicitation in Phase III and will be filed as a compliance filing at the end of Phase III. The parties recite their agreement that the target level for the initial wholesale costs upon which the retail SCC and the retail Non-G-1 transition service prices are based should be $0.625 per kWh./15 Section 3.3.5.1. In accordance with section 3.3.5.2, the parties have agreed that the ongoing administrative costs of transition and default service will not be recovered as part of the TSC and DSC but will be recovered partly in base distribution rates (internal company costs) and partly in the EDC (cost of outside services).

o Stranded Cost Charge (SCC). The SCC is a fully reconciling charge which will be billed to all customers of UES taking delivery service. Section 3.3.6; see Tab D at pages 70-71. The SCC recovers CRP billed to UES by UPC under the Amended System Agreement and also includes the TSC balance at the end of the transition period and the final fuel and purchased power balances including any prior period adjustments. The actual rate levels established for effect on Choice Date will be calculated on the basis of the portfolio sale auction in Phase III and will be filed as a compliance rate schedule at the end of Phase III.

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14 The Commission will determine the FAC-PPAC rates before November 1, 2002 in a separate docket.

15 This target level is the same as the level established in the Phase I Settlement Agreement and Order.

o External Transmission (Delivery) Charge (EDC). The EDC recovers on a fully reconciling basis the costs billed to UES by Other Transmission Providers as well as third party costs billed to UES for energy and transmission related services specified in the Phase II Settlement Agreement and Tab D. Section 3.3.7; see Tab D at pages 72-73. The EDC includes (i) charges billed to UES by Other Transmission Providers as well as any charges relating to the stability of the transmission system which UES is authorized to recover by order of the regulatory agency having jurisdiction over such charges; (ii) transmission-based assessments or fees billed by or through regulatory agencies; (iii) costs billed by third parties for load estimation and reconciliation and data and information services necessary for allocation and reporting of supplier loads, and for reporting to and from ISO New England; (iv) legal and consulting outside services charges incurred in the future acquisition of transition service and default service supplies and related to UES' transmission and energy obligations and responsibilities, including legal and regulatory activities associated with the independent system operator, New England Power Pool, regional transmission organization and FERC; (v) the costs of ASC billed to UES by UPC under the Amended System Agreement; and (vi) the Restructuring Surcharge (RS) balance on its termination. The parties agreed that the initial rate for the EDC should be $0.00156 per kWh.

o System Benefits Charge (SBC). The establishment and implementation of the SBC is the subject of other dockets. See Section 3.3.8; see also Tab D at page 74.

o Restructuring Surcharge (RS). The parties seek approval for the RS mechanism, to become effective December 1, 2002. Section 3.3.9; see Tab D at page 75. The parties propose a reconciling RS rate of $0.00100 per kWh which will be billed to all customers of UES taking delivery service. The RS is a temporary rate intended to recover the costs over a period of

approximately two years. Restructuring costs incurred following the formation of UES will be allocated to UES and recovered through the RS. The RS recovers the costs of legal, consulting and outside services associated with the planning, development and implementation of the restructuring of the Unitil Companies, including (i) the transaction costs of the merger and combination of the Companies into a single distribution utility; (ii) the rate case costs, including the development of new unbundled rates and tariffs for UES; and (iii) the restructuring costs, including the restructuring of the Companies' power supply portfolio to allow for retail choice, the divestiture of the UPC resource portfolio and the initial solicitation acquisition of transition service and default service. The initial estimate of the costs to be recovered is $2,761,000./16 Final costs included in the RS will be subject to the final review and audit of the Commission, including the demonstration by the Company of net customer benefits with respect to the merger and combination referenced in item (i) above.

o The process for determining the rates applicable to Qualifying Facilities is also set forth in the proposed UES tariff. See Tab D at pages 84-86.

D. Other Matters Related to Restructuring

As set forth after page 87 in Tab D, the parties propose a form agreement to govern the general relationship between UES and competitive electricity suppliers providing electricity supply to UES' customers.

Pursuant to section 3.4, the Commission is asked to make an affirmative finding and recommendation to FERC that FERC adopt for ratemaking purposes the Commission's determination of the reclassification of the transmission facilities currently owned by CEC and E&H to distribution.

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16 Exhibit 20-S, Schedule MHC-7 contains a breakdown of the costs.

Pursuant to section 3.7 and consistent with the Phase I Settlement Agreement, the parties request that the Commission's Phase II Order contain assurances to potential bidders that the costs incurred under, and defined in, the portfolio sale agreement and the G-1 and Non-G-1 transition and default service agreements, which will be subject to final Commission approval in Phase III, will be fully recoverable in retail rates.

Upon receipt of all requested approvals in this proceeding by the Commission, including the Phase III portion of the proceedings, Unitil will withdraw its intervention in the Federal court case enjoining the implementation of electric industry restructuring in CEC's and E&H's service territories, with prejudice. Section 1.1.

V. COMMISSION ANALYSIS

A. AMENDMENT TO PHASE I SETTLEMENT AGREEMENT AND UNITIL'S MOTION FOR PROTECTIVE ORDER REGARDING TABS A AND B

The Amendment to Phase I Settlement Agreement was thoroughly explained, discussed and supported by testimony presented at the hearing on September 13, 2002. The Amendment sets forth a thoughtful method and an appropriate schedule for implementing the requirement in the Phase I Order that bids for transition service for Non-G-1 customers include specified alternative prices. In addition, the Amendment establishes reasonable guidelines for our evaluation of pricing alternatives in order to expedite the bid review process and mitigate regulatory risk. Although the Amendment proposes to vary the terms of the Phase I Order which specify that the contract execution for both the contract divestiture and supply solicitation processes should be delayed until after a hearing on the respective recommended winning bids, we are persuaded that the proposed changes to the Phase III process incorporated in the Amendment will allow the collection of the required price information in a less disruptive

manner than would have been the case under the Phase I Order. We are also persuaded that the Amendment will allow us to make the necessary decisions in Phase III in a timely manner. Based on the testimony presented, we are satisfied that the Amendment will achieve the purposes of allowing a successful bidding process and providing a robust solicitation that preserves the original timelines.

The other provisions set forth in the Amendment, and specifically the clarifications regarding distribution line losses and uncollectible accounts and the modified requirements for filings and approvals relating to portfolio contracts, are acceptable. We will therefore approve the Amendment as filed.\

For the same reasons we granted protective, confidential treatment in our Phase I Order for Tab B to the Phase I Settlement Agreement, namely the protection of the integrity of the bidding process and protection of ratepayer interests in the outcome of the transition service solicitation, we will also grant Unitil's motion for protective treatment of Tabs A and B attached to the Amendment to Phase I Settlement Agreement.

B. MOTION FOR REHEARING OF PHASE I ORDER

The motion for rehearing objects to the condition set forth in our Phase I Order requiring that bids for transition service for Non-G-1 customers include specified alternative prices. As we understand the motion, disagreement over the inclusion of the requirement is based on an evidentiary and/or policy rationale, rather than on an argument that the Commission lacks authority under Laws of 2002, Chapter 212:6 and 7/17 or otherwise to impose the requirement.

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17 Laws of 2002, Chapter 212:6 and 7 amend RSA 374-F:3,XV and 4,I, respectively, and authorize the Commission to delay implementation of electric restructuring in the service territory of an electric utility when implementation would be "inconsistent with the goal of near-term rate relief, or would otherwise not be in the public interest."

As described above, in our Phase I Order we modified the contract divestiture process and the supply solicitation process, as set forth in the Phase I Settlement Agreement, to require Unitil to solicit bids for transition service for Non-G-1 customers under four pricing options providing for alternative dates for implementation of customer choice for Non-G-1 customers: (i) coincident with the start of transition service; (ii) one year following the start of transition service; (iii) two years following the start of transition service; and (iv) at the end of the three-year transition service term.

Our requirement for Unitil to obtain alternative prices in the bidding process for transition service for Non-G-1 customers was intended to provide us with information collected under actual market conditions regarding possible unmerited or inflated migration premiums, as well as information about the projected effect of such premiums on UES' rates, if any, as a means of better informing our Phase III decisions. We believe that obtaining such information is not only consistent with Laws of 2002, Chapter 212:6 and 7, but also with sound public policy and our traditional statutory obligation under RSA 363:17-a to act as an informed arbiter.

As we made clear at the end of the hearing on Day III,/18 our Phase I Order upholds our full commitment to unbundling, restructuring, and customer choice for Unitil's large commercial and industrial customers from the Choice Date targeted by the parties. We further noted that we were not inclined to delay choice for other Unitil customers beyond one year. We said that if there is persuasive information showing that rates would be appreciably lower for those customers by delaying choice, and thus obviating a migration premium, then that is something we are obliged to consider.

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18 See Day III Tr. at pages 144-147.

With respect to arguments against a delay for even one year for Non-G-1 customers, no one disputes that such customers are unlikely to have real choice in the first year and that the prospects for competition in other service territories over the same period will not be affected by the inquiry conducted pursuant to our Order. Accordingly, the assertion that delay in choice for such customers in Unitil's service territory would have a chilling effect on the development of competition in other parts of the State now eligible for choice is unfounded. In fact, the opposite is more accurate inasmuch as Unitil's service territory is being opened to competition and this will benefit all New Hampshire customers by encouraging the development of the nascent competitive market.

We take this opportunity to again emphasize that, as recognized in the motion at paragraph 8, we are committed to move to customer choice and competition expeditiously consistent with legislative directives. We would only consider delay of choice for Non-G-1 customers if there is substantial and persuasive evidence that an unwarranted migration premium would cause appreciable rate increases for those customers. Such rate increases would be consistent with legislative directives. It is incorrect to conclude, as suggested in paragraph 10 of the motion, that the Commission has changed its mind about competition and has called a halt to the process of implementing customer choice and competition. Our decision demonstrates the opposite to be true. It merely reflects our obligation to protect residential and small business customers from higher rates that could result from an unwarranted migration premium, if the facts show that to be the case.

Furthermore, the motion explicitly recognizes that our modification to the Phase I Settlement Agreement will not necessarily result in any delay of competitive choice for Unitil's

Non-G-1 customers. That is, our Phase I Order on its face does not delay competitive choice for these customers.

It is also suggested in paragraph 11A of the motion that the existence of the alternative bid condition could diminish, rather than enhance, the number of bidders and could thus adversely affect the prices obtained. This assertion is inconsistent with the testimony presented at hearing. Moreover, the Amendment to Phase I Settlement Agreement states in section 1.3 that the Amendment will allow a successful bidding process and provide for a robust solicitation.

After careful review of the motion, we are not persuaded to reconsider our modification to the Phase I Settlement Agreement. By collecting the migration premium data, we are fulfilling our obligation to make informed decisions. The Amendment has allowed us to do it in a non-disruptive way, whereas granting the motion for rehearing would have a disruptive effect on this proceeding insofar as timing is concerned. Accordingly, we will deny the motion for rehearing.

C. PHASE II SETTLEMENT AGREEMENT

Our general approach to reviewing and considering the numerous elements of the Phase II Settlement Agreement is the same one we employed in our Phase I Order:

> [t]he Commission has general authority under RSA 541-A:31, V(a) to resolve contested matters through consideration of settlement agreements. In general, the Commission encourages parties to attempt to reach settlement of issues through negotiation and compromise, as it is an opportunity for creative problem-solving, allows the parties to reach a result more in line with their expectations, and is often a more expedient alternative to litigation.
>
> As we have stated in previous dockets, the Commission has an independent statutory duty to resolve matters before it in a manner consistent with the public interest and all applicable specific statutory requirements. Thus, even where, as in the present case, all parties join the settlement agreement, the Commission cannot approve it without independently determining that the result comports with the applicable standards. Moreover, the issues must be reviewed, considered and ultimately judged according to standards that provide the public with the

assurance that a just and reasonable result has been reached. Concord Electric Company and Exeter & Hampton Electric Company, Order No. 24,046 (August 28, 2002), slip op. at 25, citing Granite State Electric Company, Order No. 23,966 (May 8, 2002), slip op. at 10-11.

1. Combination of Unitil's New Hampshire Operations

Regarding the merger of CEC and E&H, Unitil states that (i) the merger in and of itself will not have an adverse effect on rates; (ii) the rates under which UES will acquire electricity will not change solely as a result of the merger; and (iii) total retail rates for UES customers following the entire restructuring plan are expected to be substantially the same as the existing total retail rates. Moreover, no acquisition premium is payable, no additional debt is being incurred in connection with the transaction, and no new facilities are being acquired. The combined retail utilities will remain under the control of the existing parent of CEC and E&H.

On a qualitative basis, Unitil states that the merger is designed to lead to a simpler, more efficient and effective corporate structure resulting in improved New Hampshire utility operations, regulatory oversight and financial reporting. Section 3.1.1. However, the parties did not present any quantitative information demonstrating customer savings resulting from the merger. For example, no customer savings from the merger were reflected in the cost of service supporting the proposal for UES' distribution rates. Unitil indicates that under its current mode of operation, CEC and E&H have already realized most of the economies and efficiencies of a business combination, even though their operations have not yet been merged on the corporate level. See e.g., Day I Tr. at pages 139, 149.

Among other things, the proposed RS, effective December 1, 2002, includes the transaction costs associated with the merger and combination of the companies into a single distribution utility. Merger related costs recovered through the RS, to the extent they are allowed, would impose costs on ratepayers, estimated to be $439,000. See Exhibit 20-S,

Schedule MHC-7. The parties have agreed that the final costs included in the RS will be subject to our final review and audit, including the demonstration by the company of net customer benefits with respect to the transaction costs of the merger and combination referenced above.

Commission approval for the merger is sought under several statutes, including RSA 369:1 (authorizing utility's issuance of securities for lawful purposes upon a Commission finding that the same is "consistent with the public good"); RSA 374:33 (prohibiting utility's acquisition of another utility's stocks or bonds in certain cases without a Commission finding that such acquisition is "lawful, proper and in the public interest"); and RSA 374:30 (authorizing utility's transfer of its franchise, works or system in this State upon a Commission finding that the transfer will be for the "public good").

Considering the terms and nature of the proposed merger as well as the specific provision for our review and approval of recovery of merger related costs from ratepayers, we are able to make the requisite findings and approve the merger plans. At the same time, however, the parties should be cautioned that internal, corporate restructuring costs are typically borne by shareholders and the evidence presented to date for treating Unitil's costs any differently is not persuasive.

The Phase II Settlement Agreement does not specify the timing or the procedural mechanics applicable to the RS filing. These matters, as well as similar unspecified details applicable to Unitil's other reconciliation filings, will be the subject of a supplemental order or secretarial letter./19

Regarding the rearrangement of utility operations between UPC and UES, the Phase II Settlement Agreement reflects, among other things, Unitil's retention of an in-house energy

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19 We do agree with the concept of annual filings for UES' reconciling charges.

services function. The activities related to energy services, and the reimbursement system for such activities, will, however, be different than they are today./20 Unitil's objectives include both power supply restructuring, where UPC's power supply portfolio will be sold and future power supply responsibilities (i.e., for transition and default service) will be shifted from UPC to UES, and also the shifting of a significant component of Unitil's cost structure from FERC jurisdiction to State jurisdiction through the UPC "roll in." See Day I Tr. at pages 138-140. Under the existing arrangement, UPC's costs are billed to CEC and E&H under the System Agreement and then recovered from ratepayers through the FAC-PPAC mechanism; in the future, such costs will be recovered as part of base distribution rates. We discuss another aspect of the proposed rearrangement in the next subsection.

2. Amended System Agreement and Certain Aspects of Stranded Cost Mitigation

The Amended System Agreement is an appropriate mechanism to account for and recover the stranded costs associated with UPC's existing power supply portfolio after such costs have been fixed through the portfolio auction process, and certain on-going power supply related costs and charges incurred by UPC in accordance with the restructuring plan. UES' payment of the CRP and the ASC to UPC under the Amended System Agreement will in turn be recovered from ratepayers through the SCC and a portion of the EDC.

The proposed Amended System Agreement inevitably raises issues regarding the scope of State and Federal regulatory jurisdiction over certain of Unitil's operations because it will be a FERC-approved contract that provides for FERC review of sales and billing" transactions under

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20 Section 3.1.4 allows UES to recover reasonable severance costs in the event any of the six energy services employees of USC are severed as a result of restructuring. However, according to Unitil, it does not expect at this time to sever any employees. See Day I Tr. at page 146.

the contract./21 This is not a new situation. For example, we considered and discussed the State-Federal jurisdictional concerns even before the existing System Agreement became effective in 1986, when CEC and E&H requested Commission approval in 1984 for a comprehensive corporate reorganization into a holding company system, including the formation of UPC. See Concord Electric Company, 69 NH PUC 701 (1984). As recently as last April, we were again confronted with a jurisdictional issue raised in a FAC-PPAC proceeding involving the existing Unitil System Agreement. See Concord Electric Company and Exeter & Hampton Electric Company, Order No. 23,947 (April 8, 2002).

Under the existing System Agreement, all of UPC's power supply costs are paid by CEC and E&H, as provided for in a FERC- approved formula rate. Under the proposed Amended System Agreement, the formula rate will be replaced by two charges, CRP and ASC, which will be billed to UES by UPC. These charges are more circumscribed, and the dollar amounts of the charges will be less than the charges billed under the existing Unitil System Agreement. As a result, the Commission will have greater control over the costs incurred by Unitil on behalf of its retail customers. In addition, the amount of the Portfolio Sales Charge will be determined by the Commission in Phase III of this proceeding. Looking ahead, we expect to carefully monitor UPC's use of outside services providers to be certain that New Hampshire ratepayers pay no more than is reasonable and to ensure that the ASC is not used for purposes other than those for which it was intended.

While the Amended System Agreement does not fully eliminate FERC jurisdiction over power procurement matters, it is a positive development in the sense that it enhances the Commission's regulatory oversight authority over Unitil's New Hampshire utility operations.

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21 See Tab A attached to the Phase II Settlement Agreement at pages 28-29.

We find the Hydro Quebec Mitigation Plan presented in the Phase II Settlement Agreement a reasonable approach for mitigating stranded costs associated with the transmission support obligation. We also rule on two other matters related to stranded cost mitigation which arise in connection with the settlement agreements.

First, we have reviewed the testimony in support of the buyout of the MMWEC power contract and will approve the buyout in accordance with section 3.2.2 of the Phase I Settlement Agreement.

Second, we have reviewed Unitil's October 1, 2002 filing which requests approval of certain changes to several contracts included in UPC's power supply portfolio to be sold pursuant to the Phase I Settlement Agreement and we will approve the changes as provided in the Amendment to Phase I Settlement Agreement. We will also approve Unitil's related motion for a protective order filed on October 1, 2002 which requests confidential treatment of Unitil's economic analysis of its restructuring of the Great Bay Power Corp. power contract. We are persuaded that public disclosure of the information could compromise UPC's negotiating position or provide an unfair advantage to bidders in the portfolio auction and therefore this is a sufficient basis for granting the motion.

3. Unbundled Rates for UES, Including New Base Distribution Rates

The revenue requirement for UES is derived from summing the CEC and E&H rate bases and test year revenues and expenses, rolling in certain of UPC's test year expenses and then making certain agreed upon adjustments, see Day I Tr. at pages 77-80./22 The revised cost of service reflects a total revenue deficiency of $1,985,324 negotiated by the parties for purposes of determining UES' distribution rates. This deficiency amount is reasonable. The final amount

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22 The summing process is consistent with how the financial accounting for the merger of CEC and E&H will be handled.

agreed upon is both less than Unitil's initial position and more than the Staff's initial position. It is an amount on which the parties agreed after Commission Staff conducted a full on site audit of the Unitil Companies, including USC, and after an intensive negotiation process engaged. Day I Tr. at pages 23, 84-85. Although the resulting distribution rates do represent an increase in the distribution portion of Unitil's bundled rates, this result appears to be reasonable given that CEC has not requested an increase in its base rates since 1984 and E&H has not requested an increase since 1981. See Day I Tr. at page 78.

Moreover, even after such a rate increase and the completion of the other aspects of restructuring, Unitil showed that UES' overall rates for residential and general service customers, as well as the distribution component for these customer categories and UES' average distribution operating cost per customer, will be the lowest in New Hampshire and the region. See Exhibit 26; Day I Tr. at pages 40, 42, 53-55. Indeed, UES' overall rates projected as of May 1, 2003 represent an approximately 1% decrease over the rates in effect before December 1, 2002. See Schedule DJD-3, attached as the first page of Tab G of the Settlement Agreement. From Unitil's perspective, the Phase II Settlement Agreement provides UES with a reasonable financial result, one that will adequately support its ongoing financial needs, including the financing of a distribution construction budget of approximately $60 million over the next five years. See testimony of George Gantz, Day I Tr. at pages 60-61.

In this Order we do not rule on the issue of Unitil's imposition of a one percent per month late payment fee on residential customers, but we will do so at a later date.

In light of the testimony presented at hearing, we are satisfied that the final, negotiated revenue requirement represents a just and reasonable result, and is appropriate for setting UES' distribution rates.

The concern that UES' capital structure will be too highly leveraged is addressed in an acceptable way through the use of a hypothetical capital structure to determine the company's revenue requirement/23 and Unitil's agreement to limit the cash dividends paid by UES on an annual basis to an amount no higher than the cash dividends paid by CEC and E&H in the 2001 test year. It does appear appropriate that, as set forth in the Settlement Agreement, the company seek to increase the equity component of its capital structure over time in order to ensure that it has continued financial flexibility and continued access to capital at reasonable rates.

We have carefully considered the bill impact data included in the Phase II Settlement Agreement and the rate design testimony presented at hearing. From this it appears that the merger of the rate classes of CEC and E&H into a single UES tariff can be accomplished without significant rate discontinuity problems since the major rate classes of the two utilities are closely matched in terms of the class composition, rate structure and the relative rate levels of the two utilities. See Day II Tr. at pages 7-8.

Moderation of the distribution rate impact for low usage customers as proposed in the settlement is appropriate. Consequently, the parties' proposal to reduce by 1/3 the differential between Block 1 and Block 2 of the residential rate from an average of 1.401 (cent)/kWh to 0.934 (cent)/kWh based on rate continuity principles is acceptable.

Similarly, the proposal with respect to the G-1 and G-2 classes is an appropriate solution, inspired by rate continuity principles, to the problem created by moving from cost-based FAC-PPAC rates that vary according to class to a system where the new charges for EDC, SCC and TSC are uniform. See Day II Tr. at pages 24-26 and Exhibit 30. It is true the Commission has

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23 The New Hampshire Supreme Court has upheld our authority to use an appropriate, rather than an actual, capital structure because the object of the process is to strike a fair balance between the interests of the customer and the investor. See Appeal of Conservation Law Foundation of New England, Inc., 127 N.H. 606, 636 (1986).

not typically looked favorably upon the elimination of TOU rates. However, particularly since the Phase II Settlement Agreement provides for the waiver of metering fees for current TOU customers who take TOU service from competitive suppliers, elimination of TOU rates is acceptable under the particular circumstances present here.

UES Tariff No. 1 filed with the Phase II Settlement Agreement provides for unbundled charges consistent with RSA 374-F and with our approved approaches to unbundling in other restructuring dockets. The schedule for implementing the charges is complicated and we expect CEC, E&H and UES to keep their customers informed about the various changes resulting from unbundling and the schedule for implementing the changes.

There are many cost components comprising the so-called "External Transmission Charge," not just the cost of transmission. This rate component should be renamed. In the absence of another alternative offered by the parties, the charge is renamed the "External Delivery Charge" as suggested by Unitil.

Based on the testimony presented at the hearing, the parties' proposal to set the target level for the initial wholesale costs upon which to base the retail stranded cost charge and the retail Non-G-1 Transition Service prices at 6.25 (cent)/kWh is reasonable.

4. Other Matters

We will grant the parties' request for an affirmative finding that Unitil's 34.5 kV facilities currently classified as transmission should be reclassified as distribution facilities based on the undisputed testimony on this issue at hearing. Unitil's witness, Mr. Meisner, testified that the CECo and E&H systems meet each factor of the FERC Seven Factor Test. Day III Tr. at pages 8-10. Mr. Cannata, testifying on behalf of Staff, agreed with Unitil's characterizations and analysis of the components of the Unitil systems. Day III Tr. at page 7. For these reasons, we

fully support a request that FERC adopt the reclassification of Unitil's transmission facilities to distribution facilities for ratemaking purposes.

The proposed form agreement to govern the general relationship between UES and competitive electricity suppliers providing electricity supply to UES' customers is acceptable.

We will approve the Phase II Settlement Agreement as presented. In light of this and our approval of the Amendment to the Phase I Settlement Agreement, we are able, in accordance with section 3.7, and consistent with the Phase I Settlement Agreement, to give assurances to potential bidders that the costs incurred under, and defined in, the portfolio sale agreement and the G-1 and Non-G-1 transition and default service agreements, which will be subject to final Commission approval in Phase III, will be fully recoverable in retail rates.

Based upon the foregoing, it is hereby

ORDERED, that the First Amendment to the Phase I Settlement Agreement for Restructuring the Unitil Companies is approved; and it is

FURTHER ORDERED, that the Motion for Rehearing filed by the Governor's Office of Energy and Community Services is denied; and it is

FURTHER ORDERED, that the Phase II Settlement Agreement for Restructuring the Unitil Companies is approved subject to the provisions of any future orders in Phase III of this docket deemed necessary for achieving consistency with the implementation of Order No. 24,046 and the Phase I provisions of this order; and it is

FURTHER ORDERED, that Unitil shall file with the Commission copies of all divestiture and supply bidding documentation, including request for proposal and contract forms, reflecting the changes necessary to conform to the Order No. 24,046 and this order, on or before November 1, 2002; and it is

FURTHER ORDERED, that (i) in accordance with section 3.2.2 of the Phase I Settlement Agreement, the buyout of the Massachusetts Municipal Wholesale Electric Company power contract and (ii) as provided in the Amendment to Phase I Settlement Agreement, the amendments to the Great Bay Power Corporation and New England Power Company power contracts, are approved; and it is

FURTHER ORDERED, that Unitil's Motion for Protective Order filed on September 12, 2002 and its Motion for Protective Order filed on October 1, 2002 are granted, subject to the on-going authority of the Commission, on its own motion or on the motion of Staff, any party or any other member of the public, to reconsider in light of RSA 91-A, should circumstances so warrant.

By order of the Public Utilities Commission of New Hampshire this twenty-fifth day of October, 2002.

Thomas B. Getz	Susan S. Geiger	Nancy Brockway
Chairman	Commissioner	Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Concord Electric Company
Exeter & Hampton Electric Company
Unitil Energy Systems, Inc.

Docket No. EC02-111-000

ORDER AUTHORIZING DISPOSITION OF
JURISDICTIONAL FACILITIES

(Issued October 23, 2002)

On August 30, 2002, Concord Electric Company (Concord), Exeter & Hampton Electric Company (Exeter & Hampton), and Unitil Energy Systems, Inc. (Unitil Energy) (collectively, Applicants) filed a joint application pursuant to section 203 of the Federal Power Act (FPA)/1 requesting Commission authorization for an intra-corporate reorganization. Applicants are wholly-owned subsidiaries of Unitil Corporation (Unitil), which is a public utility holding company./2 Unitil's principal business is the retail sale and distribution of electricity in New Hampshire, and the retail sale and distribution of electricity and gas in Massachusetts through its retail distribution subsidiaries, which are Concord, Exeter & Hampton, and Fitchburg. Applicants indicate that Concord, Exeter & Hampton, Fitchburg and Unitil Power are public utilities regulated by the Commission.

Concord is a New Hampshire corporation and public utility primarily engaged in the retail sale and distribution of electricity to customers in the City of Concord and twelve surrounding towns, all in the New Hampshire.

Exeter & Hampton is a New Hampshire corporation and public utility primarily engaged in the retail sale and distribution of electricity to customers in the towns of Exeter and Hampton and in all or part of sixteen surrounding towns, all in New Hampshire.

Unitil Energy will be formed after receipt of all regulatory approvals of the merger of Concord and Exeter & Hampton. Unitil Energy will succeed Concord and Exeter & Hampton in all agreements and schedules on file with the Commission.

According to the application, the proposed transaction involves the merger of Concord and Exeter & Hampton into a single distribution utility, Unitil Energy. Applicants propose to enter into an Agreement and Plan of Merger (Merger Agreement) under which Exeter & Hampton will be merged with and into Concord with Concord as the surviving corporation. In connection with the merger, Concord will change its name to Unitil Energy.

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1 16 U.S.C.ss.824b (1994).

2 The following companies are also wholly-owned subsidiaries of Unitil: Fitchburg Gas and Electric Light Company (Fitchburg), Unitil Power Corp.(Unitil Power), Unitil Service Corp., and its non-regulated business unit, Unitil Resources, Inc.

Applicants state that the proposed transaction is consistent with the public interest and will not adversely affect competition, rates or regulation. With respect to competition, Applicants state that the proposed transaction will not adversely affect competition because the reorganization is an intra-corporate transaction. Applicants maintain that the transaction will not increase the Unitil Companies' ownership or control of transmission or generation facilities, nor result in any change in the operation of the Applicants' facilities, or other inputs that could be used as barriers to entry.

Applicants state that the proposed reorganization will not have an adverse effect on rates. The rates at which Concord's wheeling customers obtain transmission service will not change. Concord and Exeter & Hampton's Open Access Transmission Tariff (OATT) will be combined into one, Unitil Energy's OATT. The rates under which Unitil Energy will acquire electricity will not change and the total rate for Until Energy's customers following implementation of the entire restructuring plan are expected to be substantially the same as the existing total rates.

Applicants state that nothing in the reorganization will affect the manner or the extent to which the Commission or state commission regulate transactions

and facilities of the Applicants. The resulting company, Unitil Energy, will be regulated at retail by the New Hampshire Public Utility Commission and at wholesale by the Commission.

The filing was noticed on September 19, 2002, with comments, protests, or interventions due on or before October 4, 2002. No protests or comments were filed. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. ss. 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214.

After consideration, it is concluded that the proposed transaction is consistent with the public interest and is authorized subject to the following conditions:

(1) The proposed transaction is authorized upon the terms and conditions and for the purposes set forth in the application;

(2) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of cost, or any other matter whatsoever now pending or which may come before the Commission;

(3) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;

(4) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate;

(5) Applicants shall make appropriate filings under section 205 of the FPA, as necessary, to implement the transactions; and

(6) Applicants shall notify the Commission within 10 days of the date that the intra-corporate restructuring has been completed.

This action is taken pursuant to the authority delegated to the Director, Division of Tariffs and Market Development - West under 18 C.F.R. ss. 375.307. This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. ss. 385.713.

Michael A. Coleman
Director
Division of Tariffs and Market Development - West