MEMORANDUM OF UNDERSTANDING
JOINT USE OF SPECIFIED LOCAL TRANSMISSION AND DISTRIBUTION FACILITIES

Memorandum of Understanding dated as of January 1, 1984 by and among The Connecticut Light and Power Company, Holyoke Power and Electric Company, Holyoke Water Power Company and Western Massachusetts Electric Company, each an operating subsidiary of Northeast Utilities (the "Companies").

RECITALS

Certain of the Companies presently serve portions of their respective local load areas by making joint use of particular local transmission and distribution facilities with one or more of the other Companies under the terms of the agreement listed in Exhibit A hereof.

The Companies have entered into a MEMORANDUM OF UNDERSTANDING regarding POOLING OF GENERATION AND TRANSMISSION, dated as of June 1, 1970, whereby the Companies have agreed to pool their generation and backbone transmission facilities on a one-system basis. Said MEMORANDUM OF UNDERSTANDING superseded portions of various agreements between the Companies pursuant to which certain of the Companies had formerly made joint use of both backbone and local transmission and distribution facilities.

The Companies have constructed and are operating local transmission and distribution facilities on a joint basis, and intend to plan, construct and operate additional facilities of this type with the objective of supplying the electric requirements of their customers at the lowest practicable costs consistent with proper standards of reliability.

The Companies have agreed that their respective joint uses of local transmission and distribution facilities will be on the basis of coordinated operations by the Companies and in accordance with good utility practice.

The Companies contemplate that their joint use of specified local transmission and distribution facilities will be for relatively long periods of time and should be made in accordance with consistent and uniform understandings regarding sharing of resulting benefits and burdens.

The Companies intend, with the assistance of Northeast Utilities Service Company, from time to time to review the adequacy of jointly used local transmission and distribution facilities and appropriately adjust charges for such use. If the Companies determine that a different methodology is appropriate, the Companies reserve the right to make such filings as is appropriate under the Federal Power Act.

The Companies, with the assistance of Northeast Utilities Service Company, further intend to coordinate and share the use of local transmission and distribution facilities wherever practicable in order that such facilities will have the least adverse effect on the environment.

In the light of these circumstances, therefore, the Companies have concluded that a more comprehensive arrangement among them is necessary and desirable to provide reasonable assurance of attaining the above objectives and have decided to share the costs of specified local transmission and distribution facilities commencing as of the effective date of the Agreement.

ACCORDINGLY, it is agreed that:

SECTION 1. DATES OF COMMENCEMENT, TERMINATION, ETC.

(a) Subject to the acceptance of this Memorandum as a rate filing by the Federal Energy Regulatory Commission, this Memorandum shall be effective as of

January 1, 1984. The agreement listed in Exhibit A attached hereto shall be terminated as of the effective date of this Agreement and relating to the respective facility.

(b) This memorandum shall continue in effect until amended or terminated by mutual agreement or by order of public authority having jurisdiction.

SECTION 2. JOINT-USE FACILITIES

The Companies shall plan, construct, participate in and operate local transmission and distribution facilities for joint use wherever practicable in order to achieve the objectives recited above. Each such specified facility shall be known as a Joint-Use Facility. The non-owner(s) of such Joint-Use Facilities shall be known as the joint user(s).

SECTION 3. GENERAL PRINCIPLES OF JOINT-USE

(a) Normally, the use of a Joint-Use Facility will be in order to transmit electricity from one point, station or substation, to another location, using one (or more) Company's local transmission and distribution facilities which have sufficient load carrying capabilities to permit the efficient use of a portion of such capacity by another Company, or such joint use may take the form of utilizing substation and distribution facilities (either existing or jointly planned) thereby making duplicate investments unnecessary. In some instances, one Company may install new facilities for the initial sole use of another Company.

(b) The owner of a Joint-Use Facility should be reimbursed by the joint user(s) for an appropriate share of the owner's costs with respect thereto. The components of costs to be considered in determining such amount to be paid to the owner should include an adequate provision for investment return to the owner and all operation and maintenance expense, depreciation expense and tax expense borne by the owner with respect to the Joint-Use Facility.

(c) The Companies agree that it is generally reasonable to determine the amount to be paid by one Company for the use of another's local transmission and distribution facilities by allocating the costs with respect to such facilities between the owner and joint user(s) in proportion to the respective relative loads supplied therefrom. If it is determined that an allocation of costs based on factors other than, or in addition to, the actual load supplied may result in a more equitable sharing of costs, the Companies will make such filings as is appropriate under the Federal Power Act to effect such changes in the current methodology.

(d) It is expected that the joint use of certain facilities will continue for many years. Therefore, the load carrying capabilities (existing and potential) of particular facilities and the forecasted use by each Company of such facilities should be considered in making decisions with respect to joint use.

(e) If, in the opinion of the owning Company, the total load carrying capability of a Joint-Use Facility may become inadequate for its own needs together with the joint use of another Company, the facilities required for the purposes of the owning Company and those required to continue to adequately serve the particular local area load of the joint user(s), and the extent, if any, of continued joint use of such facilities shall be determined by mutual agreement.

(f) The extent of joint use of facilities, the amounts to be paid for such use, and the method of determining such amounts shall be reviewed periodically. If a change in the methodology is deemed necessary, the Companies will make such filings as is appropriate under the Federal Power Act.

(g) Each Company shall be solely responsible for providing all electricity required to supply its own loads including all capacity and energy losses incidental to the transmission, transformation and distribution of such electricity incurred on any Joint-Use Facility owned by another Company.

(h) Metering of electricity provided by one Company and transmitted and distributed on transmission and distribution facilities of another Company shall be done in such manner and at such places as may be mutually agreed from time to time. For accounting purposes, segregation shall be made of such electricity from other electricity flowing on and between the systems of the Companies.

SECTION 4. SHARING COSTS OF JOINT-USE FACILITIES

(a) The Companies shall share the costs of Joint-Use Facilities on the basis of the relation of their respective uses of each such facility. For the purposes of this Memorandum, the method of determination of the respective uses of each Joint-Use Facility will be specified in Appendix I attached hereto.

(b) Costs of each such Joint-Use Facility for any month shall be those costs associated with the Operation and Maintenance Expense, Depreciation Expense, Property Tax Expense, Leasing Expense, Investment Return, Income Tax Expense and Other Tax Expense with respect to each such facility for each month of joint use.

(c) Northeast Utilities Service Company shall act as accounting and billing agent for the Companies under this Memorandum. Bills shall be rendered monthly on a net basis and may be based on estimates subject to subsequent correction to actual.

SECTION 5. DEFINITIONS

As used in this Memorandum and all Attachments, Exhibits and Appendices hereto, the following terms shall have the following respective meanings:

(a) The term Accumulated Depreciation means an amount equal to the accrued Depreciation Expense minus the original cost of retirements and the cost of removal plus any salvage with respect thereto.

(b) The term Billing Peak Load means the maximum load supplied by a Company on a Joint-Use Facility during any clock hour during the preceding sixteen (16) calendar months. The Billing Peak Load may be adjusted by mutual agreement to reflect transfer of load from one Joint-Use Facility to another or otherwise, provided that such transfer shall be part of a mutually agreed upon system change or coordinated operation among the Companies.

(c) The term Depreciable Investment, as applied to any Joint-Use Facility means the part of the Investment in such Joint-Use Facility which is depreciable in accordance with the provisions of the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

(d) The term Investment as applied to any Joint-Use Facility means the original cost thereof as shown on the books of the owner in accordance with the Uniform System of Account prescribed by the Federal Energy Regulatory Commission at the applicable time (reflecting the cost of any betterments, improvements and additions thereto and the cost of any retirements therefrom).

(e) The term Joint-Use Facility and/or Local Facilities as used herein means any facility included in Utility Plant (including, but not limited to, station structures and improvements, station equipment, overhead and underground lines, land and land rights) which by mutual agreement is used by a joint user(s) to supply its local loads and is described in an attachment to Appendix I attached hereto.

References in this Section to mutual agreement relate to the agreement between the owner of the Joint-Use Facility and the one or more joint users participating in or directly affected by the joint use of the Joint-Use

Facility which agreement is to be included as part of the appropriate attachment to Appendix I attached hereto relating to each specified Joint-Use Facility.

SECTION 6. REIMBURSEMENT OF CERTAIN TAXES

If at any time, any of the Companies is required by any state or local governmental authority to pay a gross revenue or other similar tax with respect to payments made to it under this Memorandum by any other Company, the Company paying the tax must be promptly reimbursed by the joint user(s) for such amount of the tax.

SECTION 7. LIABILITY

(a) As among the Companies, each Company will indemnify and save the others harmless from and against all costs and damages by reason of bodily injury, death or damage to the property of third persons caused by or sustained on facilities owned by it, except that each Company shall be solely responsible and shall bear all costs of claims by its own employees growing out of any workmen's compensation law.

(b) The Companies agree that they shall endeavor to operate and maintain their respective facilities involved in this Memorandum in accordance with good utility practice, but none of the Companies guarantees an uninterrupted transfer of electricity on its facilities, and each Company hereby waives all claims against any other Company for damages of any kind resulting from any stoppage, interruption, increase, diminution or variation in service whether resulting from the negligence of another Company or otherwise.

SECTION 8. TREATMENT OF HOLYOKE COMPANIES

Holyoke Water Power Company and Holyoke Power and Electric Company shall constitute a single party for all purposes of Sections 3 and 4 of this memorandum.

SECTION 9. TERMINATION

(a) Upon termination of the Memorandum of the retirement of one or more of the Joint-Use Facilities or upon a significant decrease in the use of the facilities specified in one or more of the attachments to Appendix I attached hereto, the Companies shall determine by mutual agreement such appropriate adjustments and provisions as may be necessary to provide for reasonable reimbursement to each owning Company for and with respect to such portions of the facilities constructed to effectuate the purposes of this Memorandum but which are not required by the owning Company in connection with its own operations after such termination or decrease.

(b) Notwithstanding the termination of this Memorandum or the retirement of one or more of the facilities listed in the attachments to Appendix I attached hereto, the applicable provisions shall continue in effect after such termination to the extent necessary to provide for adjustments and provisions under this Section and for final billing and other adjustments.

SECTION 10. ARBITRATION

In the event of any dispute between any of the Companies or failure of any of the Companies to agree as to any matter to be determined by mutual agreement under the provisions of this Memorandum or as to the interpretation of or operation under any provision of this Memorandum upon notice from any Company, such dispute shall be submitted to arbitration. If agreement is not reached regarding appointment of an arbitrator within 30 days after the notice of submission to arbitration is given by a Company, any affected Company may apply to the American Arbitration Association for appointment of the arbitrator. The arbitrator shall be a disinterested person who is qualified in the area of the matter in dispute. The arbitrator shall conduct the proceeding in accordance with and subject to the rules of the American

Arbitration Association and shall render his decision with respect to the matter in controversy as promptly as practicable. The arbitrator shall be authorized only to interpret and apply the provisions of this Memorandum, and shall have no power to modify or change this Memorandum in any manner. The decision of the arbitrator shall be final and binding on the Companies. Each of the Companies in any arbitration proceeding shall bear its own expenses, and the expenses and fees of the arbitrator and any other expenses arising from the arbitration proceeding shall be shared equally by the Companies participating in the arbitration.

SECTION 11. MISCELLANEOUS

(a) This Memorandum shall be binding upon and shall inure to the benefit of the Companies and their respective successors and assigns.

(b) This Memorandum including all Appendices, Exhibits and Attachments is subject to present and future state or federal statutes and to present or future regulations or orders properly issued by any regulatory agencies having jurisdiction over matters contained herein.

SECTION 12. APPLICABLE LAW

This Memorandum shall be interpreted, performed and controlled by and in accordance with the laws of the State of Connecticut.

THE CONNECTICUT LIGHT AND POWER COMPANY

By [redacted] 7/2/93

Its Vice President-Marketing [redacted]

WESTERN MASSACHUSETTS ELECTRIC COMPANY

By [redacted] 7/2/93

Its Vice President-Marketing [redacted]

HOLYOKE WATER POWER COMPANY

By [redacted] 7/2/93

Its Vice President-Marketing [redacted]

HOLYOKE POWER AND ELECTRIC COMPANY

By [redacted] 7/2/93

Its Vice President-Marketing [redacted]

EXHIBIT A

The following agreement is to be terminated as of the effective date of this Agreement and relating to the specific facility:

1. Agreement between The Hartford Electric Light Company and Western Massachusetts Electric Company relating to the Southwick Substation (MWME FPC Rate Schedule 13).

Appendix I
Local Facilities Agreement

The annual costs of the Local Facilities shall be the estimated annual costs of owning, operating, maintaining, and supporting those facilities, including applicable leasing costs. These costs shall be computed annually. In determining such costs, the provisions of the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for major electric utilities and licensees shall be controlling, to the extent applicable.

I. Determination of Investment Base

The Investment Base is the sum of Net Investment and Working Capital as determined at the end of the preceding calendar year unless there is a substantial change (of $500,000 or more) in the Investment Base during the calendar year.

A. Net Investment

Net investment shall be the original cost (including the cost of any betterments, improvements, and additions thereto and excluding the cost of any retirements therefrom) of the Local Facility, as recorded on the owner's books in the applicable FERC Accounts 360-362, 364-368, 391, 394 and 397, less the sum of (1) accumulated depreciation and (2) accumulated deferred federal and state income taxes arising from liberalized depreciation and accelerated amortization. Accumulated depreciation shall reflect retirements and net salvage realized. Accumulated deferred income taxes shall be computed using the same life, methods, rates, salvage factors, and accounting practices as reflected on the Owner's books of account, and shall be applicable to investments made in such facilities on or subsequent to the effective date of this Agreement.

In the event that the Owner has employed a liberalized tax depreciation or accelerated depreciation method and thereafter employs a different method, any necessary allowance or adjustment shall be made in order to insure that any such change of methods does not result in any overcollection or undercollection by the Owner.

B. Working Capital

Working capital to be included in the Investment Base shall include 45 days (out of 360) of related operation and maintenance expense and the Owner's best estimate of the cost of related materials and supplies and an appropriate allowance for any payments made pursuant to the prepayment provisions of applicable leases.

II. Determination of Annual Carrying Costs of Local Facilities

The following costs factors shall be used in determining the annual carrying costs of the Local Facilities:

A. Operation and Maintenance Expense
B. Property Tax Expense
C. Depreciation Expense
D. Investment Return
E. Income Tax Expense
F. Investment Tax Credit Allowance
G. Leasing Expense
H. Other Tax Expense

A. Operation and Maintenance Expense

Operation and maintenance expense means an amount equal to the sum of the following: (1) the actual cost (or the best estimate thereof) of the annual expense of operating and maintaining the Local Facility developed in accordance with the formulas listed in Exhibit 2 to this Appendix I; (2) an appropriate allowance to cover the related administrative and general expenses, including, but not limited to, employee pensions and benefits, federal and state taxes related to the direct payroll expense, and property insurance expense for the Local Facility. The allowance for the administrative and general expenses is initially estimated at 40 percent of the operation and maintenance expense provided in (1) above. This allowance shall be subject to the final decision in FERC Docket Nos. ER90-390-000 et al., and shall be revised in accordance with the results of such final decision.

B. Property Tax Expense

Property tax expense shall consist of those taxes or excise payments that are based upon the assessed value of the Local Facility, times the taxing authorities appropriate tax rate and specifically identified with that facility, or the Owner's best estimate thereof. The procedures for determining the amounts of any such estimates shall be determined by the Owner. The Owner shall have the sole discretion in any negotiations with taxing authorities.

C. Depreciation Expense

Depreciation expense shall be determined on a straight line method, vintage/broad group procedure and remaining life technique as reflected on the Owner's book of account.

D. Investment Return

Investment return for the Local Facility shall be determined by multiplying the Owner's Investment Base by the Owner's composite cost of capital. The Owner's composite cost of capital shall be computed on the basis of its cost, expressed in percentages, for (1) bonds and other long-term indebtedness, (2) preferred stock, and (3) for the return on common equity which will be fixed at 12.93%. These costs shall be combined in accordance with the following formula to determine the Owner's composite cost of capital:

Composite Cost of Capital = AxB + CxD + ExF in which:

A = the Owner's cost for long-term indebtedness

B = the percentage of the Owner's capitalization represented by long-term indebtedness

C = the Owner's cost for preferred stock

D = the percentage of the Owner's capitalization represented by preferred stock

E = the Owner's return on common equity

F = the percentage of the Owner's capitalization represented by common equity

In the above formula, the Owner's capitalization consists of its components of long-term indebtedness, preferred stock, and common equity. Those components and the percentage of capitalization represented by each of those components shall be rounded off to the nearest whole number.

The Owner's investment return for a year shall be computed initially at the beginning of the year on the basis of its investment base and its composite cost of capital as of the beginning of the year. The investment return, as so computed, shall be recomputed each time that a substantial change in its Investment Base or composite cost of capital occurs during the year, and at any such other time as the Companies mutually agree is appropriate.

E. Income Tax Expense

An allowance for income taxes shall be computed in accordance with the following formula:

$$\frac{T_e}{1-T_e} \times [(IB\ (PE + CE)) + (D_B - D_T)]$$

T_e = the effective combined federal and state statutory income tax rate of the Owner
IB = Investment Base
PE = Weighted Preferred Stock Component (C x D in II.D.)
CE = Weighted Common Equity Component (E x F in II.D.)
D_B = Book depreciation
D_T = Tax depreciation

Where the book depreciation (D_B) and tax depreciation (D_T) apply only to investments made in the Local Facility prior to the effective date of this Agreement.

F. Investment Tax Credit Allowance

Applicable investment tax credits are those based upon the Owner's applicable investments placed in service on or subsequent to the effective date of this Agreement.

An allowance for any applicable investment tax credit shall be reflected ratably over the remaining book depreciable life of the Local Facility. This allowance for the normalized investment tax credit shall be calculated by dividing the investment tax credit by the estimated remaining book depreciable life, by one minus the effective tax rate, as described below:

$$\frac{IC}{(1-T_e)N}$$

IC = the applicable investment tax credit
T_e = as previously defined
N^e = remaining book depreciable life of the Local Facility expressed in years

G. Leasing Expense

Leasing expense shall consist of those leasing costs (or rental payments) charged to the Owner and related to the Local Facility.

H. Other Tax Expense

Other tax expense shall consist of any taxes or excises which are incurred in the future as a result of constructing, owning, operating, or leasing the Local Facility. Such tax expense shall include any tax, on gross revenues or any tax pertaining to the billing of those annual costs, which is not recognized elsewhere in this Agreement.

III. Allocation of Annual Carrying Costs of NU Local Facilities

The Annual Carrying Costs listed above (II.A. through II.H.) shall be allocated to the Participants as follows:

A. Transmission Facilities

Jointly used transmission facilities shall be allocated on the basis of the 16 month ratchet billing peak loads.

B. Substation Facilities

One-half of the cost of such jointly used substation facilities shall be allocated on the basis of the 16 month ratchet billing peak loads, and the remainder of such costs shall be allocated on the basis of the number of feeder positions assigned. Spare (unloaded) feeder positions shall be included in this allocation. When one party's feeder is tapped in the field, this allocation will still reflect the number of feeder positions assigned to each party.

C. Distribution Facilities

1. Duct Lines - Shall be allocated on the basis of the number of ducts actually utilized by each party. Spare ducts shall be included in this allocation.

2. Feeders - When one party's feeder is tapped in the field, the costs of the jointly used portion shall be allocated on an equal basis between the parties.

SUBSTATIONS

FORMULAS FOR DETERMINING OPERATION EXPENSES

Account	
582	$\frac{\text{Unit Station Equipment (ACCT 362)}}{\text{Total Station Equipment (ACCT 362)}}$ x Dist. Substation Exp. (ACCT 582)
588	$\frac{\text{Unit Station Equip. \& Structures \& Imp. (ACCTS 362 \& 361)}}{\text{Total Distribution Investment (ACCTS 361 - 373)}}$ x Misc. Distr. Exp. (ACCT 588)
580	$\frac{\text{Allocated 582 \& 588}}{\text{Total Distribution Expenses (581 - 589)}}$ x Supervision & Eng. (ACCT 580)

FORMULAS FOR DETERMINING MAINTENANCE EXPENSES

591	$\frac{\text{Unit Structures \& Imps. (ACCT 361)}}{\text{Total Acct. Struct. \& Imp. (ACCT 361)}}$ x Distr. Substation Maint. Exp. (ACCT 591)
592	$\frac{\text{Unit Station Equip. (ACCT 362)}}{\text{Total Acct. Station Equip (ACCT 362)}}$ x Distr. Substation Maint. Exp. (ACCT 592)
598	$\frac{\text{Unit Station Equip \& Structures \& Imps. (ACCT 361 \& 362)}}{\text{Total Distribution Investment (ACCTS 361 - 373)}}$ x Misc. Maintenace Expense (ACCT 598)
590	$\frac{\text{Allocated 591 + 592 + 598}}{\text{Total Maintenance Expenses (ACCTS 591 - 598)}}$ x Supervision & Eng (ACCT 590)

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DISTRIBUTION

FORMULAS FOR DETERMINING OPERATION EXPENSES

Account		
583	$\frac{\text{Unit Investment (ACCTS 364 - 368)}}{\text{Total Investment (ACCTS 364 - 368)}}$	x Overhead Lines (ACCT 583)
588	$\frac{\text{Unit Investment (ACCTS 364 - 368)}}{\text{Total Distribution Investment (ACCTS 361 - 373)}}$	x Miscellaneous (ACCT 588)
580	$\frac{\text{Unit Allocated Expenses (ACCTS 583 \& 588)}}{\text{Total Accounts 581 - 589}}$	x Supervision & Eng (ACCT 580)

FORMULAS FOR DETERMINING MAINTENANCE EXPENSES

593	$\frac{\text{Unit Investment (ACCTS 364 - 368)}}{\text{Total Investment (ACCTS 364 - 368)}}$	x Overhead Lines (ACCT 593)
598	$\frac{\text{Unit Investment (ACCTS 365 - 366)}}{\text{Total Distribution Investment (ACCTS 361 - 373)}}$	x Miscellaneous (ACCT 598)
590	$\frac{\text{Unit Allocated Expenses (ACCTS 593 \& 598)}}{\text{Total Accounts 591 - 598}}$	x Supervision & Eng. (ACCT 590)

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