

Rate Reduction Bonds

\$635,663,200 Rate Reduction Bonds, Series 2018-1

PSNH Funding LLC 3 – Issuing Entity

Public Service Company of New Hampshire – Sponsor, Depositor and Initial Servicer

Rate Reduction Bonds, Series 2018-1	Expected Weighted Average Life (Years)	Principal Amount Offered	Scheduled Final Payment Date	Final Maturity Date	Interest Rate	Initial Price to Public	Underwriting Discounts and Commissions	Proceeds to Issuing Entity (Before Expenses)
Tranche A-1	3.02	\$235,900,000	02/01/2024	02/01/2026	3.094%	99.99780%	0.407%	\$234,934,697
Tranche A-2	7.02	\$111,600,000	08/01/2026	08/01/2028	3.506%	99.99611%	0.407%	\$111,141,447
Tranche A-3	11.64	\$288,163,200	02/01/2033	02/01/2035	3.814%	99.99741%	0.407%	\$286,982,912

The total price to the public is \$635,646,206. The total amount of the underwriting discounts and commissions is \$2,587,149. The total amount of proceeds to PSNH Funding LLC 3 before deduction of expenses (estimated to be \$4,157,133) is \$633,059,056. The distribution frequency is semi-annually. The first expected distribution date is February 1, 2019.

Public Service Company of New Hampshire, as **Depositor**, is offering \$635,663,200 aggregate principal amount of the Rate Reduction Bonds, Series 2018-1 listed above (each bond designation a **Tranche** and the Tranches, collectively, the **Rate Reduction Bonds**, or the **RRBs**), to be issued by PSNH Funding LLC 3, referred to herein as the **Issuing Entity**.

The RRBs are senior secured obligations of the Issuing Entity. The RRBs are supported by the **RRB Property**, which constitutes a current and irrevocable vested property right of the Issuing Entity under the Finance Order (as defined below), including, without limitation, all right, title and interest of the Issuing Entity in and to all revenues, collections, claims, payments, money or proceeds of or arising from the RRB Charges (as defined below) and to all rights to obtain adjustments to the RRB Charges pursuant to the terms of the Finance Order. The **RRB Charges**, which are charges authorized pursuant to the Finance Order that will be billed to Customers to recover the RRB Costs, will be used to pay principal, interest and all other amounts payable in connection with the RRBs. Upon the issuance of the RRBs, the RRB Charges may not be revalued or revised by the New Hampshire Public Utilities Commission, or the **NHPUC**, except as adjusted pursuant to the Periodic Adjustments described herein. The RRB Charges shall be non-bypassable and will be assessed against and collected from all retail Customers taking retail electric service from Public Service Company of New Hampshire, or **PSNH**, or its successors or assignees under rate schedules approved by the NHPUC. RRB Charges are payable by Customers regardless of who they have chosen as their energy supplier and regardless of whether or not they are self-generating, so long as they are connected to PSNH's distribution system for back-up power. The RRB Property includes the right to mandatory Periodic Adjustments to ensure that the aggregate RRB Charges billed for an applicable period will result in RRB Charge Collections that are sufficient to pay principal and interest on the RRBs and all other required amounts and charges payable in connection with the RRBs. With respect to the foregoing, interest is due on each Payment Date and principal is due upon the Final Maturity Date for each Tranche.

The RRBs do not constitute a debt, liability or other obligation of, or interest in, PSNH or any of its other affiliates (other than the Issuing Entity). The RRBs will not be insured or guaranteed by PSNH, including in its capacity as Sponsor, Depositor, Seller or Servicer, or by its parent, Eversource Energy, any of their respective affiliates, The Bank of New York Mellon, as the **Indenture Trustee**, or any other person or entity. The RRBs will be nonrecourse obligations, secured only by the RRB Collateral. The RRBs are not a debt or liability of the State of New Hampshire or any of its political subdivisions, including the NHPUC, and shall not constitute a pledge of the full faith and credit of the State of New Hampshire or its political subdivisions, except, insofar as the State of New Hampshire or any such political subdivision, agency or instrumentality is receiving retail electric service from PSNH or its successor or assignee, such governmental entity will be obligated, in its capacity as a Customer, to pay RRB Charges.

The RRBs will be issued pursuant to NH Rev. Stat. Chapter 369-B, or the **Financing Act**, and an irrevocable **Finance Order** issued by the NHPUC on January 30, 2018 approving the issuance of the RRBs. Under the irrevocable Finance Order, the NHPUC has pledged that it will act, as directed by the Financing Act, to implement the Periodic Adjustments for making any adjustments to the RRB Charges to ensure that the aggregate RRB Charges billed for an applicable period will result in RRB Charge Collections that are sufficient to pay principal of and interest on the RRBs and all other required amounts and charges payable in connection with the RRBs. The NHPUC's obligations under the Financing Act and the Finance Order are irrevocable and the NHPUC shall not have authority, except pursuant to the Periodic Adjustments, to revalue or revise for ratemaking purposes the RRB Costs or the RRB Charge, to determine that the RRB Charge is unjust or unreasonable or in any way to reduce or impair the value of the RRB Property by taking the RRB Charge.

The RRBs will accrue interest from the date of issuance. The RRBs are scheduled to pay principal and interest semi-annually and sequentially as described herein. The Issuing Entity will pay principal and interest on the RRBs on February 1 and August 1 of each year, beginning on February 1, 2019.

The RRBs will be payable only from revenues received by the Issuing Entity under the Indenture for the RRBs and funds on deposit in trust accounts relating to the RRBs. These amounts, together with the RRB Property, including the Periodic Adjustments, are the source of funds for the payment of principal of and interest on the RRBs. A Capital Subaccount will hold the Depositor's capital contribution to the Issuing Entity. An Excess Funds Subaccount will hold revenues that are collected but not needed to meet current obligations associated with the RRBs. Credit enhancement for the RRBs will be primarily provided by the Periodic Adjustments, as well as the Capital Subaccount and the ability to collect the RRB Charges beyond the Scheduled Final Payment Date until the Final Maturity Date. The primary purpose of the Excess Funds Subaccount is not to provide credit enhancement for the RRBs. However, amounts in the Excess Funds Subaccount may be used to make debt service payments on the RRBs if needed.