

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 03-E-0106

**In the Matter of the Liquidation of
The Home Insurance Company**

**AFFIDAVIT OF PETER A. BENGELSDORF, SPECIAL DEPUTY
LIQUIDATOR, IN SUPPORT OF MOTION FOR APPROVAL
OF SETTLEMENT AGREEMENT WITH TAMPA ELECTRIC**

I, Peter A. Bengelsdorf, hereby depose and say:

1. I was appointed Special Deputy Liquidator of the Home Insurance Company ("Home"), by the Commissioner of Insurance for the State of New Hampshire, as Liquidator ("Liquidator") of Home. I submit this affidavit in support of the Liquidator's Motion for Approval of Settlement Agreement with Tampa Electric. The facts and information set forth are either within my own knowledge gained through my involvement with this matter, in which case I confirm that they are true, or are based on information provided to me by others, in which case they are true to the best of my knowledge, information and belief.

2. The motion seeks approval for the Settlement Agreement and Mutual Release ("Settlement Agreement") between Tampa Electric Company, including predecessor Peoples Gas System, Inc. (collectively "Tampa Electric") and the Liquidator. The Settlement Agreement was negotiated under my supervision. A copy of the Settlement Agreement is attached as Exhibit A to the Liquidator's motion.

3. Home issued four insurance policies to Peoples Gas for policy periods between June 30, 1965 and May 25, 1974, and one insurance policy to Tampa Electric for the policy period between January 1, 1973 and January 1, 1976. Home also issued two insurance policies, providing coverage from June 1, 1968 to January 1, 1973, to Stone & Webster Management

Consultants, Inc. as agent for Tampa Electric and a number of other utility companies, which were named insureds under the policies. Upon Home's placement in liquidation, Tampa Electric filed a proof of claim in the Home liquidation. The proof of claim seeks coverage under the policies for claims for environmental clean up costs and damages.

4. The Liquidator and Tampa Electric have reached an agreement to resolve the proof of claim and all matters under the policies, which is reflected in the Settlement Agreement.¹ The Settlement Agreement is subject to approval by the Court. Settlement Agreement at fifth and sixth Whereas clauses and ¶ 1.

5. The Settlement Agreement provides that the Liquidator will recommend allowance of Tampa Electric's proof of claim in the aggregate amount of \$750,000 as a Class II priority claim under RSA 402-C:44. Settlement Agreement ¶ 2(A). Allowance of the recommended amount as a Class II claim will fully and finally resolve Tampa Electric's proof of claim and all claims concerning it under the policies. Id. ¶ 2(B). Distributions based on that allowance will be made at the same intervals and at the same percentages as distributions to other Class II creditors of Home. Id. ¶ 2(C).

6. The Settlement Agreement is intended to resolve Tampa Electric's proof of claim, and all claims concerning it under the policies. See Settlement Agreement ¶¶ 2(b), 5. To that end, the settlement agreement provides for mutual releases of all claims between Home and Tampa Electric arising from or related to the policies (including the proof of claim). Id. ¶¶ 3, 4. The Liquidator also agrees not to pursue certain claims against other parties. Id. ¶ 4.

¹ As noted above, Tampa Electric was not the only named insured utility under the Stone & Webster policies. The Settlement Agreement with Tampa Electric has no impact on the claims of the other utilities that were separate named insureds under those policies. Six proofs of claim referencing those other utilities have been filed in the Home liquidation.


7. The Liquidator is not aware of any third party claimants asserting claims under the policies with respect to Tampa Electric. However, in resolving all matters relating to the proof of claim and the policies, the Settlement Agreement contemplates denial of any third party claimant's claims regarding Tampa Electric in the Home liquidation without prejudice to their claims against Tampa Electric. Accordingly, Tampa Electric acknowledges in the Settlement Agreement that it is intended to resolve all matters between Tampa Electric and the Liquidator/Home relating to the policies and proof of claim, including asserted rights of third party claimants. Settlement Agreement ¶ 5. Tampa Electric agrees to address, at its sole cost, the claims of claimants asserting claims against Tampa Electric as if the Tampa Electric had no insurance coverage from Home under the policies. Id. Tampa Electric agrees to indemnify the Liquidator and Home against claims arising from the policies up to the allowance actually received by Tampa Electric. Id.

8. The denial of any third party claimants' proofs of claim without prejudice to their claims against Tampa Electric will not harm the third party claimants, who will continue to have their full claims against Tampa Electric. As noted above, Tampa Electric has agreed to address these claims as if it had no insurance coverage from Home under the policies. Settlement Agreement ¶ 5. Third party claimants' proofs of claim against the insolvent Home, if not denied with this agreement, would release Tampa Electric from those claims up to the limits of the policies but only entitle the third party claimants (assuming their claims are allowed) to a presently undetermined percentage distribution at the future date when a distribution is made. It is not expected that the allowed claims of any third party claimants (or other Class II creditors) will be paid in full. Under the Settlement Agreement, Tampa Electric will continue to be fully responsible for any third party claimants' claims against it. See Settlement Agreement ¶5.

9. The Settlement Agreement reflects a compromise of the claims asserted in Tampa Electric's proof of claim. It is the result of negotiations involving Home's Claims Department, under my supervision, which has extensive experience in assessing the exposure presented by environmental pollution claims under Home's insurance policies. The agreed settlement amount is based on careful evaluation and negotiation of coverage obligations under Home's policies respecting the underlying liabilities of Tampa Electric. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$750,000 settlement amount as a Class II claim in accordance with RSA 402-C:45 and RSA 402-C:44.

10. I believe that the Settlement Agreement is fair and reasonable and in the best interests of the policyholders and creditors of Home.

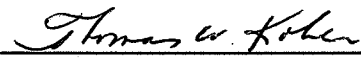
Signed under the penalties of perjury this 10TH day of September 2007.



Peter A. Bengelsdorf
Special Deputy Liquidator of The Home Insurance
Company

STATE OF NEW YORK
COUNTY OF NEW YORK

Subscribed and sworn to, before me, this 10th day of September, 2007.



Notary Public/Justice of the Peace

THOMAS W. KOBER
Notary Public, State of New York
No. 43-4642498
Qualified in Richmond County
Commission Expires April 30, 2011