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Request from: Public Utilities Regulatory Authority

Question:
(True-Up) Exhibit Regulatory-1, pp. 14–17. Provide the historical forecast error (five years) for:

a. Load forecasts;
b. Customer non-payment (Charge-off rates);
c. How quickly bills are collected (Days sales outstanding / collections lag); and
d. Explain how these values impact RRB Charge true-ups.

Response:

a. Please refer to RRU-015 Attachment 1 for the 5-year historical forecasted MWH sales forecast versus actual kwh sales by RRB rate class.

b. CL&P does not forecast charge-off rates.

c. CL&P does not forecast days of revenue outstanding.

d. When calculating the RRB Charge for the next period in the True-Up, CL&P will use the following inputs:

- Kwh sales - forecasted kwh billed sales by RRB rate class for the upcoming period.

  If kwh sales are higher than forecasted, more funds will be available to make the debt service payment. Any excess funds after making the debt service payment will be deposited into the Excess Funds Subaccount and will go to reduce the RRB charge for the next period. If kwh sales are lower than forecasted, less funds will be available to make the debt service payment. The funds available in the Excess Funds Account and, if needed, in the Capital Subaccount, will be used to make the debt service payment.

- Charge-off rate – CL&P's most recent historic 12-month charge-off rate.

  Each year, the Servicer will do an Annual Reconciliation, where the charge- off rate used throughout the year will be reconciled to the actual charge-off rate for the year. If the actual charge-off rate was higher, then funds were over remitted and the surplus will be

returned to CL&P. If the actual charge-off rate was lower, then funds were under remitted and the under remitted amount would be remitted to the trust.

- Days of revenue outstanding – CL&P's most recent historic days of revenue outstanding.

  The days of revenue outstanding will be used to determine when funds are deemed collected. For example, if days of revenue outstanding is 30 days, then kwh billed on January 1 would be remitted 30 days later, on January 31.