October 20, 2026

Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority
Ten Franklin Square
New Britain, CT 06051

By email: PURA.ExecutiveSecretary@ct.gov

Re: Docket No. 26-04-04, Public Comment of Saber Partners, LLC

Dear Mr. Gaudiosi:

Saber Partners, LLC ("Saber") submits the enclosed written public comment in Docket No. 26-04-04, with Exhibits A through I.

Saber files the comment under PURA's public comment procedure and Conn. Gen. Stat. § 4-177c(b). That section provides that "[p]ersons not named as parties or intervenors may, in the discretion of the presiding officer, be given an opportunity to present oral or written statements."[1] PURA's procedure states that comments "may be filed through the PURA web-filing system or via email to Pura.ExecutiveSecretary@ct.gov." Comments filed in PURA proceedings "become public record and will be posted in the public PURA docket database."[2] The Connecticut Constitution protects the right "to apply to those invested with the powers of government, for redress of grievances, or other proper purposes, by petition, address or remonstrance."[3]

Saber understands that a public comment is not evidence. In a contested case, "[f]indings of fact shall be based exclusively on the evidence in the record and on matters noticed."[4] Saber offers the comment so that its facts and questions are in the public record, where the parties may consider them. Each fact comes from a public document cited in the notes. If the presiding officer wishes, Saber will give its statement under oath or affirmation, as § 4-177c(b) permits, and will answer questions from PURA staff or any party.

Saber files on its own initiative and in its own name. The comment is not filed on behalf of, for, or at the request of any party. Saber is not a party to this docket and has not been retained by any party.

Respectfully submitted,

Joseph S. Fichera
Chief Executive Officer,
Saber Partners, LLC
260 Madison Avenue, 8th Floor,
New York, NY 10016

[1] Conn. Gen. Stat. § 4-177c(b) ("The presiding officer may require any such statement to be given under oath or affirmation."), https://www.cga.ct.gov/2025/pub/chap_054.htm.

[2] Public Utilities Regulatory Authority, "File a Public Comment," https://portal.ct.gov/PURA/Consumer-Services/File-a-Public-Comment/File-a-Public-Comment.

[3] Conn. Const. art. I, § 14, https://portal.ct.gov/sots/register-manual/section-i/constitution-of-the-state-of-connecticut.

[4] Conn. Gen. Stat. § 4-180(c), https://www.cga.ct.gov/2025/pub/chap_054.htm.

212-461-2370

Enclosures: Public Comment of Saber Partners, LLC; Exhibits A through I.

Public Comment of Saber Partners, LLC

PURA Docket No. 26-04-04, Financing Order for 2018–2023 Storm Costs of The Connecticut Light and Power Company d/b/a Eversource Energy

Submitted to Jeffrey R. Gaudiosi, Esq., Executive Secretary, Public Utilities Regulatory Authority, Ten Franklin Square, New Britain, CT 06051

October 20, 2026

Saber Partners, LLC ("Saber") is not a party to this docket. However, Connecticut law allows persons not named as parties or intervenors to present written statements in a contested case, in the discretion of the presiding officer.[1] Saber submits these comments in accordance with that law and PURA's public comment procedure.[2] It files them on its own initiative and in its own name, not on behalf of, for, or at the request of any party.

Saber has read the public record in this docket, including its references to "market standard" terms.[3] Many materials in the public domain have not yet been introduced in the docket. They may be useful to the parties. Saber has assembled many of them, with comments based on a preliminary review.

Since 2000, Saber has advised state regulators, consumer advocates and a utility on transactions like this one, and on many of the matters in the docket's public filings that are discussed below.[4] Saber's senior advisers include former utility finance executives and a former chairman of a state utility commission. Saber is currently engaged on behalf of a government consumer advocate in a similar transaction in another state. That transaction does not involve any party to this docket. In addition, Saber, together with Orrick, Herrington & Sutcliffe LLP and Winston Taylor LLP, is advising a group of governors, regulators and consumer advocates on certain federal securities law matters. Those matters can directly affect what consumers pay for the type of securities to be issued in this docket.

---

[1] Conn. Gen. Stat. § 4-177c(b) ("Persons not named as parties or intervenors may, in the discretion of the presiding officer, be given an opportunity to present oral or written statements."), https://www.cga.ct.gov/2025/pub/chap_054.htm. A public comment is not evidence. In a contested case, "[f]indings of fact shall be based exclusively on the evidence in the record and on matters noticed." Conn. Gen. Stat. § 4-180(c), https://www.cga.ct.gov/2025/pub/chap_054.htm.

[2] Public Utilities Regulatory Authority, "File a Public Comment" (comments "may be filed through the PURA web-filing system or via email to Pura.ExecutiveSecretary@ct.gov" and "become public record"), https://portal.ct.gov/PURA/Consumer-Services/File-a-Public-Comment/File-a-Public-Comment.

[3] Joint Direct Testimony of Kimberly Mooers, Michael Mace and John M. Murphy on behalf of the Office of the Treasurer, PURA Docket No. 26-04-04 (Oct. 12, 2026), discussing the underwriting fee, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/6db54a3cbe007ed085258e8f004a97de?OpenDocument (0.40 percent described as the "market standard" underwriting fee).

[4] Saber Partners, LLC, https://saberpartners.com. Saber was financial adviser to the Public Utility Commission of Texas from 2000 to 2006 on six transition bond issues, and to the Florida Public Service Commission on Florida Power & Light's 2007 storm-recovery bonds. Saber Partners, LLC, Certificate to the Public Utility Commission of Texas, PUCT Docket No. 25230 (Aug. 21, 2003), pp. 1–2 (summarizing the Financing Order of Aug. 5, 2002, Findings of Fact 63, 102 and 103 and Ordering Paragraph 21), https://saberpartners.com/wp-content/uploads/2023/08/Ex-18-Saber-Texas-certification.pdf; Florida Public Service Commission, Letter of Reference for Saber Partners, LLC (June 7, 2018), https://saberpartners.com/wp-content/uploads/2018/06/Florida-PSC-Letter-of-Reference-2018.pdf. Saber's senior advisers and advisory board are listed at https://saberpartners.com/saber_management/ and https://saberpartners.com/advisory-board/ (including a former Vice President and Treasurer of Consolidated Edison, a former Assistant Treasurer of Florida Power & Light and a former Chairman of the Public Utility Commission of Texas).

Electric affordability is a core concern in today's market. Utility recovery bonds, known in Connecticut as rate reduction bonds, are an important tool for it, for storm costs and for other costs customers must pay. Everyone in this docket agrees on the destination: CL&P recovers its approved storm costs, the bonds are sold on time, and customers pay the lowest cost possible. The harder question is how to get there.

Many market observers have noted that rate reduction bonds do reduce rates, but often by less than they could.[5] These are complex transactions. The money leaks out in places that are hard to see from a filing: pricing, fees, servicing terms, the timing of remittances, indemnities and the true-up. Each item can look small. Together they add up, and customers pay for all of it. What no one asks about stays unknown, and the unknown is what costs the most. Once the bonds are sold, none of it can be recovered.[6]

Connecticut regulators issued their first financing order in 2000. That same year Saber advised Texas regulators on their first financing order. Saber took note of many of the findings and matters dealt with in Connecticut in 2000 to inform its work in Texas. The Texas transactions followed Connecticut's, so Connecticut regulators could not consider the innovations made there. Since then, there has been significant turnover, and there have been other intervening events.[7]

The first of these transactions financed stranded costs from the deregulation of electricity markets. The nation's first financing order for storm-recovery bonds was issued by the Florida Public Service Commission in 2006, in a fully contested case. Saber was the Commission's financial adviser. Saber's chief executive and a Saber adviser who had chaired the Public Utility Commission of Texas testified under oath; the testimony is public.[8] Many of the issues before PURA now were argued

---

[5] E.g., NARUC, Resolution on Urging Clarification of Utility Recovery Bond Classification by the SEC to Lower the Cost to Energy Customers (Nov. 13, 2024), https://pubs.naruc.org/pub/812873F4-E348-B77F-4D75-E513FF13A86D (the asset-backed label raises borrowing costs and customer rates); Andrew Ackerman, "Bonds Got Relabeled. Now Millions of Americans Get Higher Electric Bills," Wall Street Journal (Mar. 28, 2024), https://www.wsj.com/finance/bonds-got-relabeled-now-millions-of-americans-get-higher-electric-bills-d765c609; Fla. Public Service Commission, Memorandum (staff recommendation), Docket No. 060038-EI (May 8, 2006), Document No. 04068-2006, https://floridapsc.com/library/filings/2006/04068-2006/04068-2006.PDF (Exhibit C).

[6] Conn. Gen. Stat. § 16-245i(b)(1) ("the financing orders and the competitive transition assessment shall be irrevocable"), https://www.cga.ct.gov/2026/sup/chap_283.htm.

[7] Saber's work in this field began in 2000, the same year PURA's predecessor approved CL&P's first rate reduction bonds. That year the Texas Commission approved its first financing order and selected Saber as its financial adviser. The first Texas bonds priced in October 2001, seven months after CL&P's. In 2006 and 2007 Saber advised the Florida Commission on Florida's first storm-cost securitization. Public Utility Commission of Texas, Transcript of Proceedings, Open Meeting of February 24, 2000, Docket No. 21528, Application of Central Power & Light Company for a Financing Order, 152:14–153:3; Saber Partners, LLC, Certificate to the Public Utility Commission of Texas, PUCT Docket No. 25230 (Aug. 21, 2003), p. 2, https://saberpartners.com/wp-content/uploads/2023/08/Ex-18-Saber-Texas-certification.pdf; Connecticut RRB Special Purpose Trust CL&P-1, Prospectus Supplement (Mar. 27, 2001), cover, https://www.sec.gov/Archives/edgar/data/1131671/000101905601500013/file001.txt; Reliant Energy Transition Bond Company LLC, Prospectus Supplement (Oct. 17, 2001), cover, https://www.sec.gov/Archives/edgar/data/1098911/000089924301501564/d424b5.txt; Florida Public Service Commission, Letter of Reference for Saber Partners, LLC (June 7, 2018), https://saberpartners.com/wp-content/uploads/2018/06/Florida-PSC-Letter-of-Reference-2018.pdf.

[8] Fla. Public Service Commission, Transcript of Hearing, Docket No. 060038-EI, Vol. 9 (Apr. 21, 2006), pp. 1138–1140 (Joseph S. Fichera "was called as a witness on behalf of the staff of the Florida Public Service Commission and, having been duly sworn, testified"), https://saberpartners.com/wp-content/uploads/2018/06/060421_Fichera-Q-13-c_Florida_Public_Service_Commission.pdf; Direct Testimony of Rebecca A. Klein on behalf of the staff, Docket No. 060038-EI (Mar. 31, 2006), https://saberpartners.com/wp-content/uploads/2017/03/klein_securitization_testimony_3_31_06.pdf. Ms. Klein chaired the Public Utility Commission of Texas and is a member of Saber's advisory board, https://saberpartners.com/managements/becky-klein/.

and decided there.[9] That record, the Texas orders of 2000 to 2006, and Connecticut's own 2000 order are public.

PURA's predecessor approved CL&P's first rate reduction bonds in 2000. The State Treasurer was the finance authority then and is again now.[10]

The table below lists twenty items. For each it gives what the public record shows, including precedents from other states, and a question the parties may wish to ask. Exhibits A to I give the supporting documents.

These comments question no one's good faith. Many of the questions below may already have answers. Putting the answers in the record helps PURA, the parties and the public. Each fact comes from a public document cited in the notes. Saber's own calculations are marked as estimates.

1. Why have certain terms and conditions changed since Connecticut's first financing order in 2000?

Item	What the public record shows	Question
1. The cost standard	In 2000 the terms were set "with the objective to achieve the lowest all-in financing cost possible." The 2026 draft order sets them to achieve "the targeted triple-A rating and therefore the lowest cost."[11] Many market participants recognize that bonds with the same triple-A rating sell at different interest rates.	What led to the change? Many market participants view a triple-A rating as no assurance of the lowest all-in financing cost possible. What enforceable standard will the final order set for all-in cost?
2. The savings check	In 2000 the issuance advice letter had to include "a calculation confirming net savings to ratepayers." The 2026 letter is filed "for informational purposes" and is "not a condition to the authority to issue." It contains no savings calculation.[12] Most other states let the commission act after pricing. Of 49 financing orders for issues sold since October 2016, 38 let	Will the final advice letter show the net savings on the final pricing, fees and cash flows, with the discount rate and assumptions disclosed? Will PURA be able to act on it before the bonds are issued?

[9] Fla. Public Service Commission, Memorandum (staff recommendation), Docket No. 060038-EI (May 8, 2006), Document No. 04068-2006, Issues 58 and 61, pp. 175, 181–186, https://floridapsc.com/library/filings/2006/04068-2006/04068-2006.PDF; https://www.floridapsc.com/library/Orders/2006/06-0464.ord.doc (Exhibit C).

[10] Conn. Gen. Stat. § 16-245e(a)(4) ("Finance authority" means the state, acting through the office of the State Treasurer), https://www.cga.ct.gov/2026/sup/chap_283.htm; Joint Direct Testimony of Kimberly Mooers, Michael Mace and John M. Murphy on behalf of the Office of the Treasurer, PURA Docket No. 26-04-04 (Oct. 12, 2026), pp. 5–6, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/6db54a3cbe007ed085258e8f004a97de?OpenDocument. Exhibit B compares the 2001 and 2026 servicing agreements.

[11] Connecticut Department of Public Utility Control, Decision, Docket No. 00-05-01 (Nov. 8, 2000), Finding of Fact No. 22, pp. 22–23, filed as Exhibit 99.1 to CL&P Funding LLC, Form S-3 (Jan. 18, 2001), https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt; Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), pp. 7, 11, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04.

[12] Connecticut Department of Public Utility Control, Decision, Docket No. 00-05-01 (Nov. 8, 2000), Order No. 3, p. 27, and Ex. A, pp. A-10 to A-11, filed as Exhibit 99.1 to CL&P Funding LLC, Form S-3 (Jan. 18, 2001), https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt; Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), pp. 15, 38.

Item	What the public record shows	Question
	the commission stop or approve the issue.[13] Texas did so in 2000: "The Commission, by order, may stop the issuance of the transition bonds."[14] In North Carolina the final terms stand unless, "before noon on the third business day after pricing," the Commission finds that they do not comply.[15] In California the Commission's Finance Team approves each series by letter.[16]	
3. The servicing fee	In 2000 PURA's predecessor approved the same 0.05 percent fee CL&P seeks today. It found that the servicing work "is not an incremental out-of pocket cost over and above what CL&P is already collecting in rates." So it applied an amount equal to the fee to customers' competitive transition assessment every year.[17] Florida reached the same finding in 2006.[18] CL&P also proposes to credit the fees, through its revenue decoupling mechanism in the following period. Its illustration charges residential customers 59.20	What documented incremental cost will CL&P incur that makes 2026 different from the 2000 finding? If PURA's predecessor and the Florida commission were right, why not credit customers at once, through other rates? If the credit is deferred, will there be a tracking account with interest, as North Carolina ordered in 2021?[20] Will each class get back what it pays?

[13] Exhibit F. Of the 49 orders, 38 let the commission stop or approve the issue after pricing, five treated the advice letter as informational, and six required no filing before closing.

[14] Public Utility Commission of Texas, Financing Order, Docket No. 21665 (May 31, 2000), p. 8, filed as Exhibit 99.1 to Reliant Energy Transition Bond Company LLC, Form S-3/A (Sept. 7, 2001), https://www.sec.gov/Archives/edgar/data/1098911/000089924301501474/dex991.txt ("The Commission, by order, may stop the issuance of the transition bonds if Applicant fails to make this demonstration or certification.").

[15] N.C. Utilities Commission, Financing Order, Docket No. E-2, Sub 1370 (May 12, 2025), p. 14, filed as Exhibit 99.1 to Duke Energy Progress NC Storm Funding II LLC, Form SF-1 (July 23, 2025), https://www.sec.gov/Archives/edgar/data/2078088/000110465925070033/tm2521132d2_ex99-1.htm.

[16] Cal. Public Utilities Commission, Decision 26-05-006, A.26-01-007 (May 14, 2026), pp. 49–50 ("The Finance Team's approval of a series of Recovery Bonds would be evidenced by a letter from the Finance Team to SCE."), filed as Exhibit 99.1 to SCE Recovery Funding LLC, Form SF-1 (May 29, 2026), https://www.sec.gov/Archives/edgar/data/92103/000119312526245837/d143317dex991.htm.

[17] Connecticut Department of Public Utility Control, Decision, Docket No. 00-05-01 (Nov. 8, 2000), Finding of Fact No. 34, p. 24, and Section II.F, p. 15 ("the Department will apply an amount equal to the servicing fee to the CTA, annually at the time of the CTA True-up"), filed as Exhibit 99.1 to CL&P Funding LLC, Form S-3 (Jan. 18, 2001), https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt.

[18] Fla. Public Service Commission, Financing Order, Order No. PSC-06-0464-FOF-EI, Docket No. 060038-EI (May 30, 2006), Finding 114(b), p. 38, and Finding 116, p. 39, https://www.floridapsc.com/library/Orders/2006/06-0464.ord.doc (Exhibit C).

[20] N.C. Utilities Commission, Financing Order, Docket No. E-2, Sub 1262 (May 10, 2021), pp. 43–44 (servicing fees "will be held separately in a regulatory asset or regulatory liability account"; the account "shall accrue carrying costs at DEP's net-of-tax WACC"; amounts above incremental costs "shall be returned to DEP's retail customers in DEP's next rate case"), filed as Exhibit 99.1 to Duke Energy Progress NC Storm Funding LLC, Form SF-1 (Sept. 3, 2021), https://www.sec.gov/Archives/edgar/data/1881229/000110465921112956/tm2126671d2_ex99-1.htm.

Item	What the public record shows	Question
	percent of the fees and credits them 50.93 percent.[19]	
4. The servicer's and administrator's liability	CL&P's 2001 servicing and administration agreements held it liable for negligence. The 2026 drafts hold it liable only for gross negligence.[21] Texas and Florida servicing agreements have also used a negligence standard.[22]	What change in law, rating criteria or investor demand requires the gross negligence standard? Why should customers lose the protection against simple negligence they had in 2001?
5. Whom CL&P indemnifies	In 2001 CL&P indemnified the State of Connecticut, the Finance Authority and the State Treasurer. The 2026 draft indemnifies the issuer, the bondholders and the indenture trustee. The issuer is now a company CL&P owns.[23] A Texas servicer in 2006 and a Florida servicer in 2016 indemnified the commission for the benefit of customers. West Virginia required the utility to indemnify customers for losses caused by its negligence.[24]	Will CL&P indemnify PURA, on behalf of customers, for losses its negligence causes? Who could enforce that protection?

[19] Joint Regulatory Testimony, Ex. CLP-REGULATORY-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 20 (PDF page), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04; CL&P Responses to Interrogatories RRU-001 to RRU-018, PURA Docket No. 26-04-04 (filed Oct. 19, 2026), RRU-10, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/1efdd3e555cdb9a685258e95005cc09c?OpenDocument (credit through the revenue decoupling mechanism in the following period; class shares of fees charged and credited).

[21] Transition Property Servicing Agreement between CL&P Funding LLC and CL&P (Mar. 30, 2001), §§ 4.02(a)(3), 6.02(b)–(c), 6.03, https://www.sec.gov/Archives/edgar/data/1131671/000113167101000006/0001131671-01-000006-0010.txt; draft Servicing Agreement, Ex. CLP-FINANCING ORDER-1B, PURA Docket No. 26-04-04 (Sept. 25, 2026), §§ 4.02(a)(3), 6.02(b)–(c), 6.03; Administration Agreement between CL&P Funding LLC and CL&P (Mar. 30, 2001), § 5.15 ("willful misconduct or negligence"), filed with CL&P Funding LLC, Form 8-K (Apr. 9, 2001), https://www.sec.gov/Archives/edgar/data/1131671/000113167101000006/0001131671-01-000006.txt; draft Administration Agreement, Ex. CLP-FINANCING ORDER-1A, PURA Docket No. 26-04-04 (Sept. 25, 2026), § 5.15, p. 15 ("willful misconduct, bad faith, or gross negligence").

[22] AEP Texas Central Transition Funding II LLC, Transition Property Servicing Agreement (Oct. 11, 2006), § 6.02(b) ("willful misconduct, bad faith or negligence"), https://www.sec.gov/Archives/edgar/data/18734/000119312506206342/dex991.htm; Duke Energy Florida Project Finance, LLC, Servicing Agreement (June 22, 2016), § 6.02(e) ("negligence, recklessness or willful misconduct"), https://www.sec.gov/Archives/edgar/data/1669374/000110465916128781/a16-2779_16ex99d1.htm.

[23] Transition Property Servicing Agreement between CL&P Funding LLC and CL&P (Mar. 30, 2001), § 6.02(c); draft Servicing Agreement, Ex. CLP-FINANCING ORDER-1B, PURA Docket No. 26-04-04 (Sept. 25, 2026), § 6.02(b)–(c); Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 9 (issuer wholly owned by CL&P).

[24] Transition Property Servicing Agreement, AEP Texas Central Transition Funding II LLC (Oct. 11, 2006), § 6.02(g), https://www.sec.gov/Archives/edgar/data/18734/000119312506206342/dex991.htm; Servicing Agreement, Duke Energy Florida Project Finance, LLC (June 22, 2016), § 6.02(e), https://www.sec.gov/Archives/edgar/data/1669374/000110465916128781/a16-2779_16ex99d1.htm; W. Va.

Item	What the public record shows	Question
6. Remitting collections	In 2001 CL&P had to remit actual collections "within two Servicer Business Days after receipt." The 2026 draft remits daily estimates and settles once a year. It specifies no interest on the difference.[25]	How will the estimate be set, tested and reconciled to actual collections? Who receives the time value of any difference? Why shouldn't the float be given to the customers in order to reduce the charge?
7. Money left at the end	In 2000 CL&P had to "account for and ultimately credit to ratepayers" amounts left after the bonds were paid, other than its capital account. In the final period, the bonds may be retired while collections of the charge are still coming in. The 2026 draft says surplus "may be used to benefit customers," and residual balances go to the issuer.[26]	After valid obligations are paid and CL&P's capital is returned, will all remaining collections be credited to customers? North Carolina's 2021 and 2025 orders and California's 2026 order credit them to customers.[27]
8. CL&P's deposit and the trustee's collection account	CL&P will fund a deposit to the capital subaccount, part of the trustee's collection account, without reimbursement from customers. The draft order lets CL&P receive the "return on investment" on that deposit each month, a term the order does not define. The indenture pays the "Capital Subaccount Investment Earnings" to	Will the final order confirm that "return on investment" means only the Capital Subaccount Investment Earnings defined in the indenture, and that no return on the deposit is included in the charge or in other rates?

Public Service Comm'n, Financing Order, Case Nos. 05-0402-E-CN and 05-0750-E-PC, Finding of Fact 46, https://www.sec.gov/Archives/edgar/data/1384731/000095012007000199/exhibit99_2.htm. Exhibit F summarizes the orders.

[25] Transition Property Servicing Agreement between CL&P Funding LLC and CL&P (Mar. 30, 2001), § 4.03(a); draft Servicing Agreement, Ex. CLP-FINANCING ORDER-1B, PURA Docket No. 26-04-04 (Sept. 25, 2026), § 4.03(a)–(b); CL&P Responses to Interrogatories RRU-001 to RRU-018, PURA Docket No. 26-04-04 (filed Oct. 19, 2026), RRU-15, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/1efdd3e555cdb9a6852585e95005cc09c?OpenDocument.

[26] Connecticut Department of Public Utility Control, Decision, Docket No. 00-05-01 (Nov. 8, 2000), Order No. 7, pp. 27–28, filed as Exhibit 99.1 to CL&P Funding LLC, Form S-3 (Jan. 18, 2001), https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt; Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), ¶ I.14, p. 38; Indenture, Ex. CLP-FINANCING ORDER-1C, PURA Docket No. 26-04-04 (Sept. 25, 2026), § 8.02(e)(xi).

[27] N.C. Utilities Commission, Financing Order, Docket No. E-2, Sub 1262 (May 10, 2021), p. 42 (tail-end collections recorded as a regulatory liability that will "accrue carrying costs at DEP's net-of-tax WACC and [be] credited back to customers"), filed as Exhibit 99.1 to Duke Energy Progress NC Storm Funding LLC, Form SF-1 (Sept. 3, 2021), https://www.sec.gov/Archives/edgar/data/1881229/000110465921112956/tm2126671d2_ex99-1.htm; N.C. Utilities Commission, Financing Order, Docket No. E-2, Sub 1370 (May 12, 2025), p. 37, filed as Exhibit 99.1 to Duke Energy Progress NC Storm Funding II LLC, Form SF-1 (July 23, 2025), https://www.sec.gov/Archives/edgar/data/2078088/000110465925070033/tm2521132d2_ex99-1.htm; Cal. Public Utilities Commission, Decision 26-05-006, A.26-01-007 (May 14, 2026), Ordering ¶ 19, p. 127 (after SCE's capital and return, remaining amounts and later charge collections "would be credited to Consumers through normal ratemaking processes"), filed as Exhibit 99.1 to SCE Recovery Funding LLC, Form SF-1 (May 29, 2026), https://www.sec.gov/Archives/edgar/data/92103/000119312526245837/d143317dex991.htm.

Item	What the public record shows	Question
	CL&P each month.[28] Where the law is silent, most commissions have let the utility keep only the actual earnings on its deposit.[29]	

2. Based on developments since 2000, what is not yet in the record?

Item	What the public record shows	Question
9. A certification of lowest cost	The draft order requires no one to certify that the pricing achieved the lowest cost possible for customers. Texas required certifications for its transition bonds from 2001 to 2006.[30] Florida required them in 2006. Its order required the utility, the bookrunning underwriters and its financial adviser each to certify that the structuring, marketing and pricing "in fact achieved the lowest cost objective." It found that "an after-the-fact review of the interest rate achieved will not allow us to determine whether the lowest cost objective has been achieved." Florida required an adviser's opinion in 2015. North Carolina required certifications in 2021 and 2025.[31] In Texas, the Commission's financial	Will anyone certify after pricing the steps taken to achieve the lowest cost, so that PURA has a basis to find that the transaction met its objectives and the statute? If so, what will each certifier verify on its own, and what evidence will support it? Will each certification meet the standards for financial opinions in the corporate market? A basic principle is that evidence from a knowledgeable, independent

[28] Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), ¶ I.13, p. 38 ("Return on investment on amounts in the Capital Subaccount will be remitted to the Financing Entity on a monthly basis . . . for distribution to CL&P"); Indenture, Ex. CLP-FINANCING ORDER-1C, PURA Docket No. 26-04-04 (Sept. 25, 2026), § 8.02(g), p. 61 (the trustee "shall pay all Capital Subaccount Investment Earnings to the Member"), and App. A, p. 2 (definition), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04.

[29] Connecticut Department of Public Utility Control, Decision, Docket No. 00-05-01 (Nov. 8, 2000), Ex. A, p. A-8; Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), ¶ I.13, p. 38; CL&P Responses to Interrogatories RRU-001 to RRU-018, PURA Docket No. 26-04-04 (filed Oct. 19, 2026), RRU-7 and RRU-18, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/1efdd3e555cdb9a685258e95005cc09c?OpenDocument. Saber reviewed 94 financing orders from 1997 to 2026; where the law set no rate, 52 of 88 allowed the utility what the deposit earned or less (Exhibit E).

[30] Public Utility Commission of Texas, Financing Order, Docket No. 21665 (May 31, 2000), p. 8, filed as Exhibit 99.1 to Reliant Energy Transition Bond Company LLC, Form S-3/A (Sept. 7, 2001), https://www.sec.gov/Archives/edgar/data/1098911/000089924301501474/dex991.txt (the utility "must also certify to the Commission that the structure and pricing of the transition bonds results in the lowest transition bond charges consistent with market conditions"); Saber Partners, LLC, Certificate to the Public Utility Commission of Texas, PUCT Docket No. 25230 (Aug. 21, 2003), pp. 1–2 (summarizing the Financing Order of Aug. 5, 2002, Findings of Fact 63, 102 and 103 and Ordering Paragraph 21), https://saberpartners.com/wp-content/uploads/2023/08/Ex-18-Saber-Texas-certification.pdf.

[31] Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026) (no certification of lowest cost); Fla. Public Service Commission, Financing Order, Order No. PSC-06-0464-FOF-EI, Docket No. 060038-EI (May 30, 2006), p. 6 ("lowest-cost objective"), Finding 105, p. 36, Finding 124, pp. 40–41, and Finding 135, p. 43, https://www.floridapsc.com/library/Orders/2006/06-0464.ord.doc; Fla. Public Service Commission, Financing Order, Order No. PSC-15-0537-FOF-EI, Docket Nos. 150148-EI and 150171-EI (Nov. 19, 2015), Finding 97, p. 38, https://floridapsc.com/library/Orders/2015/07364-2015.pdf; N.C. Utilities Commission, Financing Order, Docket No. E-7, Sub 1243 (May 10, 2021), Ordering ¶¶ 29–30, pp. 77–78,

Item	What the public record shows	Question
	adviser took part "fully and in advance" in pricing decisions.[32] The Treasurer will confirm that the advice letter matches the terms it agreed. It calls this review "an affirmative gate on final bond economics."[33] A certification is only as good as the work behind it. The Florida staff found that New Jersey's early certifications were qualified "to avoid accountability."[34]	source is more reliable than evidence from the company alone.[35] Independent verification matters most when the information comes from a party with a conflicting interest, such as an underwriter acting as an "arm's length contractual counterparty" (item 12).
10. PURA's role after pricing	PURA staff asked whether CL&P supports a not-to-exceed rate. CL&P said no; it would not proceed unless customers benefit. On CL&P's measure, they benefit at any rate below about 10.45 percent. That is a break-even rate on CL&P's assumptions, not a cost ceiling. CL&P now estimates the rate at about 5.65 percent, up from 5.482 percent in the petition. That is about $7.1 million more over the life of the bonds (Saber estimate, approximate).[36]	What decision, if any, will PURA have after pricing? What information will PURA receive, and when?

https://www.sec.gov/Archives/edgar/data/30371/000110465921112954/tm2126715d2_ex99-1.htm; N.C. Utilities Commission, Financing Order, Docket No. E-2, Sub 1370 (May 12, 2025), Findings 49–50, pp. 14–15, filed as Exhibit 99.1 to Duke Energy Progress NC Storm Funding II LLC, Form SF-1 (July 23, 2025), https://www.sec.gov/Archives/edgar/data/2078088/000110465925070033/tm2521132d2_ex99-1.htm. Exhibit D reviews the statute, the order and the certificates.

[32] Saber Partners, LLC, Certificate to the Public Utility Commission of Texas, PUCT Docket No. 25230 (Aug. 21, 2003), pp. 1–2 (summarizing the Financing Order of Aug. 5, 2002, Findings of Fact 63, 102 and 103 and Ordering Paragraph 21), https://saberpartners.com/wp-content/uploads/2023/08/Ex-18-Saber-Texas-certification.pdf.

[33] Joint Direct Testimony of Kimberly Mooers, Michael Mace and John M. Murphy on behalf of the Office of the Treasurer, PURA Docket No. 26-04-04 (Oct. 12, 2026), 15:10–23, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/6db54a3cbe007ed085258e8f004a97de?OpenDocument.

[34] Fla. Public Service Commission, Memorandum (staff recommendation), Docket No. 060038-EI (May 8, 2006), Document No. 04068-2006, Issue 61, p. 186 (parties "were allowed to qualify certain aspects of their certifications with terms such as 'reasonable' and other means to avoid accountability for their certifications"), https://floridapsc.com/library/filings/2006/04068-2006/04068-2006.PDF (Exhibit C).

[35] Public Company Accounting Oversight Board, AS 1105, Audit Evidence, ¶ .08 ("Evidence obtained from a knowledgeable source that is independent of the company is more reliable than evidence obtained only from internal company sources."), https://pcaobus.org/oversight/standards/auditing-standards/details/AS1105. Exhibit D discusses independent verification.

[36] CL&P Responses to Interrogatories RRU-001 to RRU-018, PURA Docket No. 26-04-04 (filed Oct. 19, 2026), RRU-1, RRU-2 and RRU-3, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/1efdd3e555cdb9a685258e95005cc09c?OpenDocument. The $7.1 million is a Saber estimate: 0.168 percent × $620,364,568 × 6.84 years, an approximation, not a present value. The 6.84-year weighted average life is from the Direct Testimony of Steven Moffitt, Ex. CLP-GOLDMAN-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 27, Table 2. Before co-founding Saber in 2000, Mr. Fichera was a managing director at Prudential Securities. There he hired Mr. Moffitt as an investment banking analyst, and Mr. Moffitt reported to him. Neither Mr. Fichera nor Saber has any business relationship with Mr. Moffitt today.

Item	What the public record shows	Question
11. How service providers were chosen	The proposed order names Goldman Sachs as the expected structuring agent. Goldman is also a co-lead underwriter. CL&P budgets 0.40 percent for underwriting, $2,481,458, and $300,000 for structuring. The Treasurer's witnesses call 0.40 percent the "market standard."[37] Southern California Edison's $1.95 billion recovery bonds in July 2026 paid 0.36 percent for underwriting.[38] California's 2026 order requires "a request for proposals for the selection of the lead underwriters." Indiana's 2023 order found competitive bidding of underwriters and the trustee "appropriate."[39]	How were the structuring agent, underwriters and counsel selected? Why should Connecticut customers pay more for underwriting than was paid in the most recent comparable issue, after allowing for differences in size and structure?
12. Duties to customers	A 2026 underwriting agreement for similar bonds says the underwriters act "solely in the capacity of an arm's length contractual counterparty."[40]	Does any service provider owe a duty to act in customers' best interest, and not in its own financial interest? If not, why not? Who can enforce that duty?
13. A say in amendments	Neither CL&P's 2001 agreement nor its 2026 draft gives the regulator notice of amendments or a say in them. Duke Energy's 2016 Florida and 2021 North Carolina servicing agreements require commission consent.[41]	Can any document be amended after closing, in a way that raises costs to customers or weakens their protections, without notice to PURA and its consent? Other states have required the regulator's consent.

[37] Joint Direct Testimony of Kimberly Mooers, Michael Mace and John M. Murphy on behalf of the Office of the Treasurer, PURA Docket No. 26-04-04 (Oct. 12, 2026), discussing the underwriting fee, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/6db54a3cbe007ed085258e8f004a97de?OpenDocument (0.40 percent described as the "market standard" underwriting fee).

[38] Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 33; CL&P Responses to Interrogatories EOE-1 to EOE-9, PURA Docket No. 26-04-04 (Oct. 15, 2026), EOE-6, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/94bfcc1c5f6c24e985258e91007170e0?OpenDocument; Direct Testimony of Matthew P. Fallon, Ex. CLP-TREASURY-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), Sched. 1; SCE Recovery Funding LLC, Prospectus, $1,953,948,000 Senior Secured Recovery Bonds, Series 2026-A (filed July 23, 2026), cover page, https://www.sec.gov/Archives/edgar/data/1826571/000119312526314136/d143317d424b1.htm.

[39] Cal. Pub. Util. Comm'n, Decision D.26-05-006, A.26-01-007 (May 2026), pp. 50–51, https://www.sec.gov/Archives/edgar/data/92103/000119312526245837/d143317dex991.htm; Ind. Util. Regulatory Comm'n, Order, Cause No. 45722 (Jan. 4, 2023), p. 71, https://www.sec.gov/Archives/edgar/data/92195/000119312523079261/d472510dex991.htm.

[40] Appalachian Power Recovery Funding LLC, Underwriting Agreement (May 19, 2026), § 14, https://www.sec.gov/Archives/edgar/data/6879/000119312526231725/d27122dex11.htm.

[41] Transition Property Servicing Agreement between CL&P Funding LLC and CL&P (Mar. 30, 2001), § 8.01; draft Servicing Agreement, Ex. CLP-FINANCING ORDER-1B, PURA Docket No. 26-04-04 (Sept. 25, 2026), § 8.01; Duke Energy Florida Project Finance, LLC, Servicing Agreement (June 22, 2016), § 8.01(c), https://www.sec.gov/Archives/edgar/data/1669374/000110465916128781/a16-2779_16ex99d1.htm; Duke Energy Progress NC Storm Funding LLC, Storm Recovery Property Servicing Agreement (Nov. 24, 2021), § 8.01(c), https://www.sec.gov/Archives/edgar/data/17797/000110465921143611/tm2126671d14_ex10-1.htm.

3. From the public record, certain issues have emerged

Item	What the public record shows	Question
14. The discount rate	Two discount rates appear in the filed materials. CL&P discounts its savings at its 7.09 percent cost of capital in its petition and in its break-even answers. Its comparison of terms uses 5.5 percent. The choice changes the measured savings by $11 million to $38 million at terms of 10 to 20 years. At 20 years, the same cash flows save $84.0 million at 5.5 percent and $121.8 million at 7.09 percent (Saber estimate).[42] The right discount rate is a basic principle of corporate and utility finance.	Why is a rate lower than the utility's cost of capital justified for the term comparison? Many customers borrow at higher rates than the utility. Bank credit card plans averaged 21.19 percent in August 2026.[43] For those customers, lower bills today matter more than lower bills 10 to 20 years from now. How do the results change under common cash flows and a disclosed range of rates?
15. The term	The Treasurer recommends 12 years. For a residential customer using 700 kWh a month, the first-year charge is $3.66 a month at 12 years, $3.16 at 15 and $2.70 at 20. Of the 27 storm-related bonds sold for investor-owned utility customers since 2021, 23 have a scheduled term longer than 12 years.[44]	For each term considered, what are the present-value savings at each rate, the first-year residential bill and the total payments?
16. Corporate or asset-backed	The SEC staff's guidance states that public utility securitizations structured as stand-alone trusts "must be registered on Form SF-1," and that series trust issuers "should refrain from making statements in their filings that they are not asset-backed issuers or that their securities are not	Will PURA, the Treasurer or CL&P tell the SEC, in comments, that these bonds are properly described as corporate utility bonds, as Duke Energy Florida described

[42] Direct Testimony of Matthew P. Fallon, Ex. CLP-TREASURY-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 36; CL&P Responses to Interrogatories RRU-001 to RRU-018, PURA Docket No. 26-04-04 (filed Oct. 19, 2026), RRU-1 and RRU-16, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/1efdd3e555cdb9a685258e95005cc09c?OpenDocument; CL&P Responses to Interrogatories EOE-1 to EOE-9, PURA Docket No. 26-04-04 (Oct. 15, 2026), EOE-5 and EOE-005 Attachment 1, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/94bfcc1c5f6c24e985258e91007170e0?OpenDocument. The 20-year figures are Saber calculations from the yearly cost streams in EOE-005 Attachment 1, discounted at year end as in the workbook; at 5.5 percent they match the workbook's present values.

[43] Board of Governors of the Federal Reserve System, Consumer Credit – G.19 (Oct. 7, 2026), Terms of Credit, commercial bank interest rates, August 2026 (preliminary): credit card plans, all accounts, 21.19 percent; 24-month personal loans, 11.90 percent, https://www.federalreserve.gov/releases/g19/current/default.htm.

[44] CL&P Responses to Interrogatories EOE-1 to EOE-9, PURA Docket No. 26-04-04 (Oct. 15, 2026), EOE-2, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/94bfcc1c5f6c24e985258e91007170e0?OpenDocument; Joint Direct Testimony of Kimberly Mooers, Michael Mace and John M. Murphy on behalf of the Office of the Treasurer, PURA Docket No. 26-04-04 (Oct. 12, 2026), 12:4–17, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/6db54a3cbe007ed085258e8f004a97de?OpenDocument. Exhibit A lists each storm bond issue since 2007, with a link to its offering document.

Item	What the public record shows	Question
	asset-backed securities, as such statements would not be accurate." On July 29, 2026, the staff told counsel for data center issuers that "the fixed-income or other securities issued in data center securitizations of the type described in your letter are not asset-backed securities."[45] Since September 2024, governors, NARUC and NASUCA have asked the SEC to treat utility recovery bonds as corporate bonds. NARUC's resolution states that the asset-backed label raises borrowing costs and customer rates.[46] EEI, the utilities' trade group, has raised concerns with the SEC about changing how these bonds are registered. The Energy and Policy Institute has reported on EEI's position.[47] CL&P's proposed order says the issuer's debt "will appear on the consolidated balance sheets of both CL&P and Eversource Energy." For federal income tax purposes the bonds "will be treated as obligations of the Public Utility."[48] Accounting standards	its 2016 bonds? Will the utility follow the disclosure that the RRB property is not a receivable and the bonds are not secured by a pool of receivables? If not, why not? Will pricing be compared with matched-maturity AAA corporate bonds as well as asset-backed bonds? Will all comparisons be disclosed, not only selected ones? Under federal securities law, an opinion can mislead if it omits material facts that conflict with what a reasonable investor would take from it.[55]

[45] SEC, Division of Corporation Finance, Asset-Backed Securities interpretations, Question 112.01 (first published July 31, 2024; revised May 16, 2025), https://www.sec.gov/rules-regulations/staff-guidance/corporation-finance-interpretations-cfis/asset-backed-securities; SEC, Office of Structured Finance, Response to Latham & Watkins LLP, Data Center Securitizations (July 29, 2026) (incoming letter dated July 23, 2026), https://www.sec.gov/rules-regulations/no-action-interpretive-exemptive-letters/division-corporation-finance-no-action/certain-data-center-securitizations-072926.

[46] Letter from eight governors (Colorado, California, Illinois, Massachusetts, Michigan, New Mexico, New York and North Carolina) to Gary Gensler, Chair, Securities and Exchange Commission (Sept. 10, 2024), linked from Office of Gov. Jared Polis, news release (Sept. 10, 2024), https://www.colorado.gov/governor/news/colorado-governor-polis-and-fellow-governors-call-sec-take-action-save-americans-money; NARUC, Resolution on Urging Clarification of Utility Recovery Bond Classification by the SEC to Lower the Cost to Energy Customers (Nov. 13, 2024), https://pubs.naruc.org/pub/812873F4-E348-B77F-4D75-E513FF13A86D; NASUCA, Resolution 2024-01, Urging Clarification of Utility Recovery Bond Classification by the SEC (Nov. 10, 2024), https://nasuca.org/wp-content/uploads/2024/11/2024-01-Utility-Recovery-Bond-Classification-Resolution.pdf. Exhibit G lists the filings with the SEC, with links. Exhibit H contains the governors' letter and the two resolutions.

[47] Letter from Kristen Siegele, Executive Director, Government Relations, Edison Electric Institute, File No. S7-2025-04 (Dec. 1, 2025), in the SEC comment file, https://www.sec.gov/comments/s7-2025-04/s7202504.htm; Orrick, Herrington & Sutcliffe LLP, Supplemental Comment on File No. S7-2025-04 (Mar. 9, 2026), pp. 1–2 and n.4, https://www.sec.gov/comments/s7-2025-04/s7202504-720707-2256834.pdf (responding to EEI); Sue Sturgis, "Utility group EEI backs recovery bond reclassification that drives up electric bills," Energy and Policy Institute (Sept. 23, 2026), https://energyandpolicy.org/eei-utility-recovery-bonds-sec/ (reprinted with permission in Exhibit H).

[48] Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), pp. 21–23 (under IRS Rev. Proc. 2005-62, as modified by Rev. Proc. 2024-15, the bonds "will be treated as obligations of the Public Utility"; the Financing Entity's debt "will appear on the consolidated balance sheets of both CL&P and Eversource Energy"), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04.

[55] Omnicare, Inc. v. Laborers District Council Construction Industry Pension Fund, 575 U.S. 175, 189 (2015) ("if a registration statement omits material facts about the issuer's inquiry into or knowledge concerning a statement of opinion, and if those facts conflict with what a reasonable investor would take from the

Item	What the public record shows	Question
	hold that these charges are not financial assets: "while a right to collect cash flows exists, it is not the result of a contract and, thus, not a financial asset."[49] Duke Energy Florida's 2016 prospectus stated that its bonds "are corporate securities" and "are not asset-backed securities."[50] Regulation AB defines an asset-backed security as one serviced by the cash flows of "a discrete pool of receivables or other financial assets."[51] Since at least 2004, prospectuses for these bonds have stated that the property securing them "is not a receivable."[52] The Commission has invited comment: "We encourage all interested parties to submit comments on the topics being considered	

statement itself, then § 11's omissions clause creates liability"); id. at 190 (an investor reads each statement "in light of all its surrounding text, including hedges, disclaimers, and apparently conflicting information"), https://supreme.justia.com/cases/federal/us/575/175/.

[49] FASB Accounting Standards Codification 860-10-55-8 ("Securitized stranded costs are not financial assets, and therefore transfers of securitized stranded costs are not within the scope of this Subtopic. Securitized stranded costs are not financial assets because they are imposed on ratepayers by a state government or its regulatory commission and, thus, while an enforceable right for the utility, they are not a contractual right to receive payments from another party. To elaborate, while a right to collect cash flows exists, it is not the result of a contract and, thus, not a financial asset."), reproduced in Deloitte, Roadmap: Transfers and Servicing of Financial Assets § 2.2, https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc860-10/roadmap-transfers-financial-assets/chapter-2-scope/2-2-asset; SEC, Policy Statement: Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter, Release No. 33-8221 (Apr. 25, 2003), https://www.sec.gov/rules-regulations/policy-statements/33-8221.

[50] Duke Energy Florida Project Finance, LLC, Prospectus, Series A Bonds (Form 424(b)(1), June 17, 2016), https://www.sec.gov/Archives/edgar/data/1669374/000104746916013865/a2228973z424b1.htm ("The Series A Bonds are corporate securities. Neither the depositor nor DEF Project Finance is an asset-backed issuer and the Series A Bonds are not asset-backed securities as defined by the SEC governing regulations Item 1101 of Regulation AB."). The bonds were registered on Form SF-1. Saber was the Florida Public Service Commission's financial adviser on that issue.

[51] 17 C.F.R. § 229.1101(c)(1) (Item 1101(c)(1) of Regulation AB) ("Asset-backed security means a security that is primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period . . . ."), https://www.ecfr.gov/current/title-17/chapter-II/part-229/subpart-229.1100/section-229.1101.

[52] E.g., TXU Electric Delivery Transition Bond Company LLC, Prospectus Supplement, Transition Bonds, Series 2004-1 (to prospectus dated May 28, 2004) ("Transition property is not a receivable."), https://www.sec.gov/Archives/edgar/data/1100179/000095012004000393/d598648.txt; CenterPoint Energy Transition Bond Company II, LLC, Prospectus Supplement, Senior Secured Transition Bonds, Series A (Dec. 2005) ("The transition property is not a receivable, and the principal collateral securing the Bonds is not a pool of receivables."), https://www.sec.gov/Archives/edgar/data/1310914/000095012905011940/h30993d5e424b5.htm; Duke Energy Progress NC Storm Funding LLC, Prospectus (Form 424(b)(1), Nov. 2021) ("Storm recovery property is not a receivable, and the bonds are not secured by a pool of receivables."), https://www.sec.gov/Archives/edgar/data/17797/000110465921141981/tm2126671-12_424b1.htm; PG&E Recovery Funding LLC, Prospectus, Senior Secured Recovery Bonds, Series 2024-A (Form 424(b)(1), July 26, 2024) ("The recovery property is not a receivable, and the recovery property and other collateral held by the trustee securing the recovery bonds do not constitute a pool of receivables."), https://www.sec.gov/Archives/edgar/data/1866514/000119312524186234/d801186d424b1.htm. Duke Energy Florida's 2016 prospectus contains the same statement.

Item	What the public record shows	Question
	in this concept release."[53] The question remains open. On these bonds, each 0.10 percent of interest cost is about $4.2 million over their life (Saber estimate).[54] These sources describe a national issue that bears on what Connecticut customers will pay.	
17. Upfront costs	CL&P estimates upfront issuance costs of $6,950,000. The items include $50,000 of miscellaneous costs and a $323,633 contingency, "to account for potential increases during the PURA review process and through pricing." The contingency is 4.9 percent of the other items and brings the total to a round $6,950,000 (Saber calculation). Final costs will be reported in the advice letter.[56] In 2000, "many of these costs" were subject to the approval of the Finance Authority.[57]	Will the final order cap each cost at the estimate, with the contingency drawn only on a showing of need? Will the advice letter report each actual cost against its estimate? Who approves increases? Why is there such a large contingency in addition to other miscellaneous amounts? What justifies this? Will PURA be given comfort that these amounts are reasonable?
18. Ongoing costs	CL&P estimates annual ongoing costs of $742,682: the servicing fee, $310,182; administration, $50,000; a Deloitte examination of compliance with Regulation AB servicing criteria, $260,000; legal, $50,000; rating agency surveillance, $60,000; and $12,500 of other items. Over 12 years the items other than the servicing fee total about $5.2 million (Saber calculation).[58] The 2000 order required a review	Who will audit and monitor all expenses after the bonds are issued, the servicing fee and every other ongoing cost, and report the results to PURA each year? Will the final order set a review threshold for ongoing costs, as the 2000 order did? Is the $260,000

[53] SEC, Concept Release on Residential Mortgage-Backed Securities Disclosures and Enhancements to Asset-Backed Securities Registration, Release No. 33-11391, File No. S7-2025-04 (Sept. 26, 2025), p. 46, https://www.sec.gov/files/rules/concept/2025/33-11391.pdf; comment file, https://www.sec.gov/comments/s7-2025-04/s7202504.htm.

[54] $620,364,568 × 0.10 percent × 6.84-year weighted average life (Direct Testimony of Steven Moffitt, Ex. CLP-GOLDMAN-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 27, Table 2) ≈ $4.24 million. Saber estimate. Exhibit G shows the cost at 0.25, 0.50 and 0.70 percent.

[56] CL&P Responses to Interrogatories EOE-1 to EOE-9, PURA Docket No. 26-04-04 (Oct. 15, 2026), EOE-6 (contingency and miscellaneous "provided to account for potential increases during the PURA review process and through pricing"; "Final costs will be reflected in the Issuance Advice Letter"), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/94bfcc1c5f6c24e985258e91007170e0?OpenDocument; Direct Testimony of Matthew P. Fallon, Ex. CLP-TREASURY-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), Sched. 1. The thirteen items in EOE-6 sum to $6,626,367 before the contingency; $323,633 ÷ $6,626,367 = 4.9 percent. The SEC registration fee is estimated at 0.00927 percent ($92.70 per million). The SEC's rate was $138.10 per million when the petition was filed and is $87.00 per million from October 1, 2026. SEC, Fee Rate Advisory #1 for Fiscal Year 2027, https://www.sec.gov/rules-regulations/fee-rate-advisories/2027-1.

[57] Connecticut Department of Public Utility Control, Decision, Docket No. 00-05-01 (Nov. 8, 2000), Ex. A, p. A-11 ("With the exception of CL&P counsel fees, many of these costs will be subject to the approval of the Finance Authority"), filed as Exhibit 99.1 to CL&P Funding LLC, Form S-3 (Jan. 18, 2001), https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt.

[58] CL&P Responses to Interrogatories EOE-1 to EOE-9, PURA Docket No. 26-04-04 (Oct. 15, 2026), EOE-8, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/94bfcc1c5f6c24e985258e

Item	What the public record shows	Question
	if ongoing costs other than the servicing and overcollateralization fees exceeded $500,000 a year. The estimate then was $220,000.[59]	Regulation AB examination needed if the bonds are registered as corporate securities (item 16)? This amount seems excessive. How were the other estimates tested? Since the utility will be filing servicing reports every six months, why can't it provide documentation for its expenses to PURA to confirm actual costs?
19. Future bonds	Public Act 25-173 allows rate reduction bonds for two kinds of costs. One is storm costs incurred from January 1, 2018, to January 1, 2025. The other is advanced metering costs incurred after January 1, 2025.[60] These bonds finance CL&P's storm costs from 2018 to 2023. The proposed order forms a new issuer for these bonds alone. It "shall have no assets other than" this transition property and its collateral.[61] Other utilities' issuers have sold later series under separate financing orders. Each series has its own charge, property and collateral. Southern California Edison's recovery bond issuer has sold five series since 2021. PG&E's has sold three. Duke Energy Progress's 2021 North Carolina and 2024 South Carolina storm issuers may issue more series under future orders. Duke Energy Florida's 2016 issuer is also authorized to issue more series.[62]	Does CL&P expect to seek more rate reduction bonds, for metering costs or for future storms if the General Assembly extends the law? If so, should this issuer be able to sell later series under separate financing orders, to reduce administrative and other costs? Several utilities have set up their issuers to keep this option. Has CL&P considered it?

91007170e0?OpenDocument. Items other than the servicing fee: $432,500 a year × 12 years = $5,190,000, nominal, before any increases.

[59] Connecticut Department of Public Utility Control, Decision, Docket No. 00-05-01 (Nov. 8, 2000), pp. 13–14 and Finding of Fact No. 37, filed as Exhibit 99.1 to CL&P Funding LLC, Form S-3 (Jan. 18, 2001), https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt.

[60] Conn. Gen. Stat. § 16-245e(a)(21) (2026 Supp.) ("financed utility services" include storm costs "prudently and efficiently incurred between the period of January 1, 2018, to January 1, 2025," and advanced metering infrastructure costs incurred "after January 1, 2025"); id. § 16-245e(a)(11) (a "financing entity" may be "any special purpose trust or other entity" authorized by PURA "pursuant to a financing order"), https://www.cga.ct.gov/2026/sup/chap_283.htm. Public Act 25-173 added subdivision (21) and amended subdivision (11).

[61] Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 9 ("The Rate Reduction Bonds will be issued through a newly formed bankruptcy-remote Financing Entity." "The Financing Entity shall not be permitted to engage in any other activities and shall have no assets other than Transition Property and Other Financing Entity Collateral."); draft Indenture, Ex. CLP-FINANCING ORDER-1C, PURA Docket No. 26-04-04 (Sept. 25, 2026), §§ 3.12 ("No Other Business") and 3.13 ("No Borrowing"), p. 27, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04.

[62] SCE Recovery Funding LLC, Prospectus, Senior Secured Recovery Bonds, Series 2026-A (Form 424(b)(1), July 23, 2026) ("The Prior Recovery Bonds were each issued pursuant to a separate financing order and are secured by separate fixed recovery charges, separate recovery property and separate bond collateral . . . ."),

Item	What the public record shows	Question
	EEI told the SEC that it "supports the ability to continue to use a series trust structure." It said a new issuer for every securitization "can be process-intensive for public utilities and result in unnecessary confusion and delays in the market."[63] In 2025, Duke told the North Carolina commission it no longer recommended this "series trust" structure. It cited "developments in the utility securitization market."[64] The SEC staff advises both kinds of issuer to register on Form SF-1.[65]	
20. Equal treatment of data center sponsors and electric utility ratepayers	On July 23, 2026, counsel for data center issuers asked the SEC staff for guidance. On July 29, 2026, six days later, the staff replied that the securities issued in those transactions "are not asset-backed securities."[66] Governors, NARUC and NASUCA have asked the SEC since September 2024 to treat utility recovery bonds as corporate bonds. The governors' first request, on	Will PURA, the Treasurer or CL&P ask the SEC to give electric utility ratepayers the same treatment it gave data center sponsors? Will they ask the SEC to apply to utility recovery bonds the same test it applied to data center

https://www.sec.gov/Archives/edgar/data/1826571/000119312526314136/d143317d424b1.htm; PG&E Recovery Funding LLC, Prospectus, Senior Secured Recovery Bonds, Series 2024-A (Form 424(b)(1), July 26, 2024) (the issuer had issued the Series 2021-A and Series 2022-A bonds; "Each series . . . was issued pursuant to a separate financing order and is secured by separate fixed recovery charges and separate recovery property."), https://www.sec.gov/Archives/edgar/data/1866514/000119312524186234/d801186d424b1.htm; Duke Energy Progress NC Storm Funding LLC, Form SF-1/A (Nov. 1, 2021), https://www.sec.gov/Archives/edgar/data/1881229/000110465921132412/tm2126671-6_sf1a.htm; Duke Energy Progress SC Storm Funding LLC, Form SF-1/A (Mar. 22, 2024), https://www.sec.gov/Archives/edgar/data/2008486/000110465924037959/tm243320-7_sf1a.htm; Duke Energy Florida Project Finance, LLC, Prospectus, Series A Bonds (Form 424(b)(1), June 17, 2016), https://www.sec.gov/Archives/edgar/data/1669374/000104746916013865/a2228973z424b1.htm (issuer "is authorized to issue additional series of nuclear asset-recovery bonds"). Each Duke prospectus states that the issuer's documents give it authority "to issue additional series of storm recovery bonds authorized by the financing order or one or more future financing orders."

[63] Letter from Kristen Siegele, Executive Director, Government Relations, Edison Electric Institute, File No. S7-2025-04 (Dec. 1, 2025), https://www.sec.gov/comments/s7-2025-04/s72025o4-680589-2096034.pdf, p. 1 ("EEI supports the ability to continue to use a series trust structure and the same special purpose entity ("SPE")/issuer for multiple public utility securitizations.") and p. 3 (a new SPE for every securitization "can be process-intensive for public utilities and result in unnecessary confusion and delays in the market").

[64] N.C. Utilities Commission, Financing Order, Docket No. E-2, Sub 1370 (May 12, 2025), p. 33 ("DEP's decision to no longer recommend the series trust structure due to developments in the utility securitization market"), filed as Exhibit 99.1 to Duke Energy Progress NC Storm Funding II LLC, Form SF-1 (July 23, 2025), https://www.sec.gov/Archives/edgar/data/2078088/000110465925070033/tm2521132d2_ex99-1.htm.

[65] SEC, Division of Corporation Finance, Asset-Backed Securities interpretations, Questions 112.01 (stand-alone trusts "must be registered on Form SF-1") and 112.02 ("the staff has advised issuers in public utility securitizations that are structured as series trusts to register offers and sales of securities on Form SF-1") (first published July 31, 2024; revised May 16, 2025), https://www.sec.gov/rules-regulations/staff-guidance/corporation-finance-interpretations-cfis/asset-backed-securities.

[66] SEC, Office of Structured Finance, Response to Latham & Watkins LLP, Data Center Securitizations (July 29, 2026) (incoming letter dated July 23, 2026), https://www.sec.gov/rules-regulations/no-action-interpretive-exemptive-letters/division-corporation-finance-no-action/certain-data-center-securitizations-072926. Six days is July 23 to July 29, 2026 (Saber calculation).

Item	What the public record shows	Question
	September 10, 2024, came more than 22 months before the staff's reply to the data center issuers (Saber calculation). The question remains open (item 16).[67]	securitizations? If the SEC treats the two differently, what reason will it give?

The evidentiary hearing began October 20. PURA will decide, "at its sole discretion," whether these bonds are in the best interest of ratepayers.[68] Many of the terms that decide what customers pay will be written into the final financing order and settled at pricing, after this hearing. Each question above leads to others, and the documents contain more terms than a public comment can cover. Once issued, the order cannot be changed. Saber offers these questions so they are in the public record. It hopes they are useful to PURA, the parties and the public. Saber will answer questions from PURA staff or any party, on the public record. PURA may wish to require four things: a documented lowest all-in cost standard, transparent pricing and savings calculations, specific customer protections in the final documents, and an accounting of results after issuance.

4. Additional Public Materials for Consideration

The attached materials may be helpful to the parties.

A. Storm Bond Scheduled Terms, 2007–2026 (46 issues), with links to each offering document.

B. CL&P's 2001 Servicing Agreement Compared with the 2026 Draft: summary table, with comments, and full redline.

C. Florida Public Service Commission Staff Memorandum, Docket No. 060038-EI (May 8, 2006): Selected Financing Order Issues, with Where the Financing Order Decided Each (excerpt).

D. Lowest-Cost Certifications: The Statute, the Order and the Certificate.

E. What the Utility Earns on Its Deposit: 94 Financing Orders, 1997–2026.

F. After Pricing: Advice Letters and Customer Protections in Financing Orders, 2016–2026.

G. The Classification of Utility Recovery Bonds: Background, Cost to Customers and Filings with the SEC, 2024–2026.

H. Energy and Policy Institute Article of September 23, 2026 (reprinted with permission); Governors' Letter of September 10, 2024; and the NASUCA and NARUC Resolutions.

I. Saber Partners Summaries of the Request to the SEC (August 19, 2026) and Asset-Backed Alert Report (September 11, 2026).

---

[67] Letter from eight governors (Colorado, California, Illinois, Massachusetts, Michigan, New Mexico, New York and North Carolina) to Gary Gensler, Chair, Securities and Exchange Commission (Sept. 10, 2024), linked from Office of Gov. Jared Polis, news release (Sept. 10, 2024), https://www.colorado.gov/governor/news/colorado-governor-polis-and-fellow-governors-call-sec-take-action-save-americans-money; NARUC, Resolution on Urging Clarification of Utility Recovery Bond Classification by the SEC to Lower the Cost to Energy Customers (Nov. 13, 2024), https://pubs.naruc.org/pub/812873F4-E348-B77F-4D75-E513FF13A86D; NASUCA, Resolution 2024-01, Urging Clarification of Utility Recovery Bond Classification by the SEC (Nov. 10, 2024), https://nasuca.org/wp-content/uploads/2024/11/2024-01-Utility-Recovery-Bond-Classification-Resolution.pdf. September 10, 2024, to July 29, 2026, is 22 months and 19 days (Saber calculation). Exhibits G and H contain these materials.

[68] PURA, Notice of Hearing & Procedural Order, Docket No. 26-04-04 (Oct. 8, 2026), p. 1 (quoting Conn. Gen. Stat. § 16-245e(l)), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/659a10f637c7fb9785258e8a006afc72?OpenDocument.

Exhibit A. Storm-Related Utility Securitizations, 2007–2026: Scheduled Term of the Longest Tranche

Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04 | October 20, 2026[1]

The Treasurer supports an expected maturity of about 12 years for CL&P's bonds, with a weighted average life of about 6.84 years. It calls this "a deliberate balance among ratepayer savings, intergenerational equity, and market convention." It concluded that it "would be imprudent to extend recovery beyond 12 years."[2]

Since 2007, many commissions, utilities and consumer advocates have addressed the same question: how the term of the bonds affects current charges, total financing costs and fairness between generations.

The greatest benefit to customers from securitization is the ability to lower current bills. Long maturities at low rates reduce the monthly charge and ease customers' cash flow. It is like choosing a 30-year mortgage over a 15-year one. Total interest rises, but monthly payments fall. Whether present-value savings rise depends on the discount rate used; Item 14 of the comment discusses the rates in the record. The intergenerational question is a policy question.

The Treasurer measures the bonds against "a traditional six-year cost recovery schedule."[3] If the bonds used the same term as recovery without securitization, securitization might not be needed. PURA could instead reduce the allowed return and save the transaction costs.

This exhibit lists every storm-related utility securitization sold from 2007 through 2026, 46 issues, with the scheduled term of the longest tranche and a link to each offering document.[4]

Universe	Issues	Under 12.0 yrs	Exactly 12.0 yrs	12.1–14.9 yrs	15.0 yrs or more	Median yrs	Amount
All storm-related issues, 2007–2026 (46)	46	8	5	12	21	14.7	$30.2B

[1] © 2026 Saber Partners, LLC.

[2] Joint Direct Testimony of Kimberly Mooers, Michael Mace and John M. Murphy on behalf of the Office of the Treasurer, PURA Docket No. 26-04-04 (Oct. 12, 2026), 12:4–17, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/6db54a3cbe007ed085258e8f004a97de?OpenDocument; Direct Testimony of Steven Moffitt, Ex. CLP-GOLDMAN-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 27, Table 2, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04.

[3] Joint Direct Testimony of Kimberly Mooers, Michael Mace and John M. Murphy on behalf of the Office of the Treasurer, PURA Docket No. 26-04-04 (Oct. 12, 2026), 12:9–11, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/6db54a3cbe007ed085258e8f004a97de?OpenDocument.

[4] Joint Direct Testimony of the Office of the Treasurer, PURA Docket No. 26-04-04 (Oct. 12, 2026), 12:4–19. Amounts are initial principal. Years = (scheduled final payment date of the last tranche − sale date) ÷ 365.25, to one decimal. Links go to the final prospectus on SEC EDGAR or, for municipal issues, to the MSRB EMMA security page by CUSIP; Rule 144A offerings have no public filing. Kentucky Power 2025, Appalachian Power 2026 and Empire District 2024 financed storm costs with other costs in one series. The Louisiana conduit issues are counted as investor-owned-utility issues. Source: URB Master Database, each row checked to the offering document.

Universe	Issues	Under 12.0 yrs	Exactly 12.0 yrs	12.1–14.9 yrs	15.0 yrs or more	Median yrs	Amount
Issues sold 2021–2026 for investor-owned utility customers (excludes 4 cooperatives and 2 ERCOT issues)	27	4	0	8	15	15.2	$20.5B

Since 2021, only four issues were shorter than 12 years: Kansas Gas Service (2022, 9.7 years), Atmos Energy (2023, 9.7), New York State Electric & Gas (2025, 10.2) and Rochester Gas & Electric (2025, 10.2). None was between 12.0 and 12.9 years. The 12.0-year column is shown separately because the Treasurer recommends a 12-year term.

Sale date	State	Benefiting utility	Issuer	Amount ($M)	Scheduled final	Years	Commission docket	Offering document
May 17, 2007	FL	Florida Power & Light	FPL Recovery Funding LLC	652.0	Aug. 1, 2019	12.2	060038-EI	https://www.sec.gov/Archives/edgar/data/0000037634/000090514807003876/efc7-1376_424b5.txt
June 22, 2007	TX	Entergy Gulf States	Entergy Gulf States Reconstruction Funding I LLC	329.5	Apr. 1, 2021	13.8	33586	https://www.sec.gov/Archives/edgar/data/44570/000006598407000141/h47449e424b3.htm
Feb. 28, 2008	LA	Cleco Power	Cleco Katrina/Rita Hurricane Recovery Funding LLC	180.6	Mar. 1, 2020	12.0	U-29157	https://www.sec.gov/Archives/edgar/data/18672/000104746908002105/a2183211z424b5.htm
July 22, 2008	LA	Entergy Louisiana	Louisiana Public Facilities Authority System Restoration Bonds (LURC Project/ELL) Series 2008	687.7	Aug. 1, 2018	10.0	U-29203	https://emma.msrb.org/Security/Details/546403AC0
Aug. 20, 2008	LA	Entergy Gulf States Louisiana	Louisiana Public Facilities Authority System Restoration Bonds (LURC Project/EGSL) Series 2008	278.4	Aug. 1, 2018	9.9	U-29203	https://emma.msrb.org/Security/Details/546403AA4
Oct. 29, 2009	TX	Entergy Texas	Entergy Texas Restoration Funding LLC	545.9	Aug. 1, 2022	12.8	37247	https://www.sec.gov/Archives/edgar/data/0001427437/000006598409000214/d424b5.htm
Nov. 18, 2009	TX	CenterPoint Energy Houston Electric	CenterPoint Energy Restoration Bond Company LLC	664.9	Aug. 15, 2022	12.7	37200	https://www.sec.gov/Archives/edgar/data/1473968/000119312509239006/d424b2.htm
July 15, 2010	LA	Entergy Gulf States Louisiana	Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA)	244.1	Aug. 1, 2022	12.0	U-30981	https://emma.msrb.org/Security/Details/54627RAE0
July 15, 2010	LA	Entergy Louisiana	Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA)	468.9	Aug. 1, 2022	12.0	U-30981	https://emma.msrb.org/Security/Details/54627RAB6
July 29, 2014	LA	Entergy Gulf States Louisiana	Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA)	71.0	Aug. 1, 2026	12.0	U-32764	https://emma.msrb.org/Security/Details/54627RAH3

Sale date	State	Benefiting utility	Issuer	Amount ($M)	Scheduled final	Years	Commission docket	Offering document
July 29, 2014	LA	Entergy Louisiana	Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA)	243.8	Aug. 1, 2026	12.0	U-32764	https://emma.msrb.org/Security/Details/54627RAJ9
July 14, 2015	LA	Entergy New Orleans	Entergy New Orleans Storm Recovery Funding I LLC	98.7	June 1, 2024	8.9	UD-14-01	https://www.sec.gov/Archives/edgar/data/0001637969/000006598415000222/d16479d424b5.htm
Sep. 11, 2019	TX	AEP Texas Central	AEP Texas Restoration Funding LLC	235.3	Aug. 1, 2029	9.9	49308	https://www.sec.gov/Archives/edgar/data/1775098/000114036119016639/nt10002760x12_424b1.htm
Nov. 17, 2021	NC	Duke Energy Carolinas	Duke Energy Carolinas NC Storm Funding LLC	237.2	July 1, 2041	19.6	E-7, Sub 1243	https://www.sec.gov/Archives/edgar/data/30371/000110465921141986/tm2126715-14_424b1.htm
Nov. 17, 2021	NC	Duke Energy Progress	Duke Energy Progress NC Storm Funding LLC	769.6	July 1, 2041	19.6	E-2, Sub 1262	https://www.sec.gov/Archives/edgar/data/1881229/000110465921141981/tm2126671-12_424b1.htm
Feb. 4, 2022	TX	Rayburn Country Electric Cooperative members	Rayburn County Securitization LLC	908.2	Dec. 1, 2049	27.8	No PUC docket (TX co-op, board-approved)	Rule 144A; no public filing
Mar. 24, 2022	TX	Entergy Texas	Entergy Texas Restoration Funding II LLC	290.9	Dec. 15, 2035	13.7	52302	https://www.sec.gov/Archives/edgar/data/1880480/000006598422000046/d300118d424b1.htm
May 11, 2022	LA	Entergy Louisiana	Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA)	3,193.5	Aug. 1, 2037	15.2	U-35991-A	https://emma.msrb.org/Security/Details/54627RAM2
June 8, 2022	TX	ERCOT load-serving entities	Texas Electric Market Stabilization Funding N LLC	2,115.7	Feb. 1, 2050	27.7	52322	Rule 144A; no public filing
June 9, 2022	LA	Cleco Power	Cleco Securitization I LLC	425.0	Sep. 1, 2042	20.2	U-35807	https://www.sec.gov/Archives/edgar/data/1910923/000114036122022776/ny20001832x5_424b1.htm
July 8, 2022	OK	Oklahoma Gas & Electric	Oklahoma Development Finance Authority	761.7	Feb. 1, 2050	27.6	PUD 202100072	https://emma.msrb.org/Security/Details/6789083Z5

Sale date	State	Benefiting utility	Issuer	Amount ($M)	Scheduled final	Years	Commission docket	Offering document
Aug. 18, 2022	OK	Oklahoma Natural Gas	Oklahoma Development Finance Authority	1,354.2	May 1, 2047	24.7	PUD 202100079	https://emma.msrb.org/Security/Details/6789084C5
Aug. 30, 2022	OK	Public Service Co. of Oklahoma	Oklahoma Development Finance Authority	696.9	June 1, 2042	19.8	PUD 202100076	https://emma.msrb.org/Security/Details/6789084F8
Oct. 12, 2022	OK	Summit Utilities	Oklahoma Development Finance Authority	81.6	Oct. 1, 2037	15.0	PUD 202100087	https://emma.msrb.org/Security/Details/6789084H4
Nov. 9, 2022	KS	Kansas Gas Service	Kansas Gas Service Securitization I LLC	336.0	Aug. 1, 2032	9.7	22-KGSG-466-TAR	https://www.sec.gov/Archives/edgar/data/1944984/000119312522284629/d385537d424b1.htm
Dec. 7, 2022	TX	United Electric Cooperative Services	United Electric Securitization LLC	451.7	Dec. 1, 2050	28.0	No PUC docket (TX co-op, board-approved)	Rule 144A; no public filing
Dec. 7, 2022	TX	CoServ Electric	Denton County Electric Cooperative Inc.	460.0	Feb. 15, 2048	25.2	No PUC docket (TX co-op, board-approved)	Rule 144A; no public filing
Dec. 8, 2022	TX	Brazos Electric Power Cooperative	Brazos Securitization LLC	713.0	Sep. 1, 2050	27.7	—	Rule 144A; no public filing
Dec. 9, 2022	LA	Entergy New Orleans	Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA)	209.3	Sep. 1, 2037	14.7	U-29203	https://emma.msrb.org/Security/Details/54628CG30
Mar. 9, 2023	TX	Atmos Energy, CenterPoint Energy and Texas Gas Service customers	Texas Natural Gas Securitization Finance Corp	3,521.8	Apr. 1, 2039	16.1	No traditional docket (RRC HB 1520; FO 2/8/2022)	https://emma.msrb.org/Security/Details/88258MAA3
Mar. 21, 2023	LA	Entergy Louisiana	Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA)	1,491.5	Dec. 1, 2037	14.7	U-36350-A	https://emma.msrb.org/Security/Details/54627RAR1
June 9, 2023	KS	Atmos Energy	Atmos Energy Kansas Securitization I LLC	95.0	Mar. 1, 2033	9.7	22-ATMG-538-TAR	https://www.sec.gov/Archives/edgar/data/1967097/000119312523166223/d472690d424b1.htm

Sale date	State	Benefiting utility	Issuer	Amount ($M)	Scheduled final	Years	Commission docket	Offering document
Jan. 18, 2024	MO	Empire District Electric (Liberty)	Empire District Bondco LLC	305.5	Jan. 1, 2037	13.0	EO-2022-0040	https://www.sec.gov/Archives/edgar/data/1994341/000110465924005608/tm2325804-7_424b1.htm
Feb. 14, 2024	MO	Evergy Missouri West	Evergy Missouri West Storm Funding I LLC	331.1	Dec. 1, 2038	14.8	EF-2022-0155	https://www.sec.gov/Archives/edgar/data/1955844/000119312524038564/d564524d424b1.htm
Apr. 16, 2024	SC	Duke Energy Progress	Duke Energy Progress SC Storm Funding LLC	177.4	Mar. 1, 2044	19.9	2023-89-E	https://www.sec.gov/Archives/edgar/data/2008486/000110465924048889/tm243320-18_424b1.htm
Dec. 10, 2024	LA	Southwestern Electric Power (SWEPCO)	SWEPCO Storm Recovery Funding LLC	336.7	Sep. 1, 2039	14.7	U-36174-B	https://www.sec.gov/Archives/edgar/data/2036521/000119312524277261/d582887d424b1.htm
Feb. 4, 2025	NY	New York State Electric & Gas	NYSEG Storm Funding LLC	710.6	May 1, 2035	10.2	24-E-0493	https://www.sec.gov/Archives/edgar/data/2046062/000119312525021865/d928050d424b1.htm
Feb. 6, 2025	NY	Rochester Gas & Electric	RG&E Storm Funding LLC	75.3	May 1, 2035	10.2	24-E-0493	https://www.sec.gov/Archives/edgar/data/2046060/000119312525023622/d904066d424b1.htm
June 5, 2025	KY	Kentucky Power	Kentucky Power Cost Recovery LLC	477.7	Sep. 1, 2045	20.2	2023-00159	https://www.sec.gov/Archives/edgar/data/55373/000119312525137390/d912164d424b1.htm
Aug. 5, 2025	TX	ERCOT load-serving entities	Texas Electric Market Stabilization Funding M LLC	379.1	Aug. 1, 2049	24.0	52321	Rule 144A; no public filing
Sep. 9, 2025	TX	CenterPoint Energy Houston Electric	CenterPoint Energy Restoration Bond Company II LLC	401.5	June 15, 2039	13.8	57559	https://www.sec.gov/Archives/edgar/data/2072436/000141057825002099/tm2517786-8_424b1.htm
Sep. 23, 2025	NC	Duke Energy Progress	Duke Energy Progress NC Storm Funding II LLC	460.6	Jan. 1, 2046	20.3	E-2, Sub 1370	https://www.sec.gov/Archives/edgar/data/2078088/000110465925093435/tm2521132-6_424b1.htm

Sale date	State	Benefiting utility	Issuer	Amount ($M)	Scheduled final	Years	Commission docket	Offering document
Sep. 23, 2025	NC	Duke Energy Carolinas	Duke Energy Carolinas NC Storm Funding II LLC	582.1	Jan. 1, 2046	20.3	E-7, Sub 1325	https://www.sec.gov/Archives/edgar/data/30371/000110465925093434/tm2521130-6_424b1.htm
Nov. 14, 2025	SC	Duke Energy Carolinas	Duke Energy Carolinas SC Storm Funding LLC	561.4	Mar. 1, 2044	18.3	2025-65-E	https://www.sec.gov/Archives/edgar/data/2082860/000110465925113677/tm2525236-6_424b1.htm
Feb. 18, 2026	TX	CenterPoint Energy Houston Electric	CenterPoint Energy Restoration Bond Company III LLC	1,193.5	Dec. 15, 2039	13.8	58252	https://www.sec.gov/Archives/edgar/data/48732/000110465926017607/tm2530970-8_424b1.htm
May 19, 2026	VA	Appalachian Power	Appalachian Power Recovery Funding LLC	1,375.5	Apr. 1, 2046	19.9	PUR-2025-00116	https://www.sec.gov/Archives/edgar/data/2106973/000119312526234477/d44535d424b1.htm

Exhibit B. CL&P's 2001 Servicing Agreement Compared with the 2026 Draft

Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04
October 20, 2026[1]

CL&P serviced its 2001 rate reduction bonds under an executed agreement. The 2026 draft follows the same outline. The pages that follow show every change, with the 2001 text as the base: insertions underlined, deletions struck through.[2]

The table summarizes the changes that bear most on customers, with a short comment on each and examples from other states. Governing law and contract definitions differ from state to state.[3]

Section	2001 executed	2026 draft	Comment
§ 6.02(b), servicer liability	"Willful misconduct or negligence."	"Willful misconduct, bad faith or gross negligence" or "reckless disregard."	CL&P's 2001 bonds were rated triple-A with the negligence standard. Duke Energy's 2016 Florida and 2021 North Carolina agreements still use it. Under the draft, customers would pay for ordinary servicing errors through the true-up. PURA may wish to keep the 2001 standard.
§ 6.03, limit on liability	No protection against liability "by reason of willful misconduct or negligence."	No protection only for "willful misconduct, recklessness or gross negligence" or "reckless disregard."	This narrows what customers can recover when CL&P errs. The filing gives no reason. PURA may wish to keep the 2001 standard.
§ 4.02(a)(3), errors in setting the charge	No liability "so long as the Servicer has not acted in a negligent manner."	No liability "so long as the Servicer has acted in good faith and not acted in a grossly negligent manner."	CL&P sets the inputs, including the collection lag. It would answer only for gross negligence in setting them. PURA may wish to keep the 2001 standard.
§ 6.02(c), parties CL&P indemnifies	Includes "the State of Connecticut, the Finance Authority, the State Treasurer, agencies of the State of Connecticut."	The issuer, the bondholders and the indenture trustee. The State, the Treasurer and State agencies are dropped.	The Treasurer is again the finance authority, with a larger role, but loses this protection. PURA may wish to restore the 2001 list.

[1] © 2026 Saber Partners, LLC.

[2] Transition Property Servicing Agreement between CL&P Funding LLC and CL&P (Mar. 30, 2001), filed with CL&P Funding LLC, Form 8-K (Apr. 9, 2001), https://www.sec.gov/Archives/edgar/data/1131671/000113167101000006/0001131671-01-000006-0010.txt; draft Servicing Agreement, Ex. CLP-FINANCING ORDER-1B, PURA Docket No. 26-04-04 (Sept. 25, 2026), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04. Connecticut DPUC, Decision, Docket No. 00-05-01 (Nov. 8, 2000) ("2000 Decision"), https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt. Redline prepared by Saber Partners, LLC from the public texts.

[3] Ratings: Connecticut RRB Special Purpose Trust CL&P-1, Prospectus Supplement (Mar. 2001), "Ratings" (rated "AAA" by S&P and Fitch and "Aaa" by Moody's), https://www.sec.gov/Archives/edgar/data/0001131671/000101905601500013/file001.txt. Duke agreements: Duke Energy Florida Project Finance, LLC, Nuclear Asset-Recovery Property Servicing Agreement (June 22, 2016), §§ 6.02(a), 8.01(c), https://www.sec.gov/Archives/edgar/data/37637/000110465916128781/a16-2779_16ex99d1.htm; Duke Energy Progress NC Storm Funding LLC, Storm Recovery Property Servicing Agreement (Nov. 24, 2021), §§ 6.02(a), 8.01(c), https://www.sec.gov/Archives/edgar/data/17797/000110465921143611/tm2126671d14_ex10-1.htm. Finance authority: Ex. CLP-FINANCING ORDER-1, proposed Financing Order, PURA Docket No. 26-04-04 (Sept. 25, 2026), 4. Monthly reporting: draft Servicing Agreement § 4.01(d) (Monthly Servicer Certificate). RRU-10: CL&P Response to Interrogatory RRU-010, PURA Docket No. 26-04-04 (filed Oct. 19, 2026), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/1efdd3e555cdb9a685258e95005cc09c?OpenDocument.

Section	2001 executed	2026 draft	Comment
§ 4.03, remitting collections	Charge payments received are remitted "within two Servicer Business Days after receipt."	Daily estimates based on a collection lag CL&P sets, reconciled once a year. No interest is specified on the difference.	With a yearly reconciliation and no interest, an under-remittance could stay with CL&P for up to a year at no cost. CL&P already reports monthly. PURA may wish to keep the 2001 method or require monthly reconciliation with interest.
§ 6.06(a), interest and late charges	CL&P keeps interest on collections before remittance and late payment charges.	Same.	Unchanged since 2001.
Servicing fee	0.05 percent of initial principal. An amount equal to the fee was applied to the competitive transition assessment "annually at the time of the CTA True-up" (2000 Decision, p. 15).	0.05 percent, credited to customers in distribution rates (Ex. CLP-REGULATORY-1, p. 20). CL&P now says the credit runs through its decoupling mechanism in the following period (RRU-10).	The 2000 order found that servicing "is not an incremental out-of pocket cost over and above what CL&P is already collecting in rates" (Finding of Fact 34, p. 24). CL&P's illustration credits residential customers a smaller share of the fees than they pay (RRU-10).
§ 8.01, amendments	By CL&P and the issuer, with trustee consent and notice to the rating agencies. No consent of the regulator.	Same.	Duke Energy's 2016 Florida and 2021 North Carolina agreements require commission consent (§ 8.01(c)). PURA may wish to require the same.

The letter's Section 1 sets these terms beside the 2000 financing order and lists the related questions.

Redline: CL&P Servicing Agreement

2001 (executed) vs. 2026 (draft)

PURA Docket No. 26-04-04

Base text (unmarked and struck through): Transition Property Servicing Agreement between CL&P Funding LLC, as Note Issuer, and The Connecticut Light and Power Company, as Servicer, dated as of March 30, 2001 (executed), filed with the SEC as Exhibit 10.2 (EDGAR Ex. 99.9) to CL&P Funding LLC, Form 8-K (Apr. 9, 2001): https://www.sec.gov/Archives/edgar/data/1131671/000113167101000006/0001131671-01-000006-0010.txt

Changes (underlined insertions, struck deletions): draft Servicing Agreement between [Issuer] and The Connecticut Light & Power Company, as Servicer, Exhibit CLP-FINANCING ORDER-1B, PURA Docket No. 26-04-04 (filed Sept. 25, 2026): https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/e9596a7da3e0ed3185258e810062a197/$FILE/59160444.pdf/Exhibit%20CLP-FINANCING%20ORDER-1B%20(9.25.2026).pdf

Prepared by Saber Partners, LLC from public documents | October 19, 2026

2001 SERVICING AGREEMENT COMPARED TO 2026 PROPOSED

This ~~TRANSITION PROPERTY~~ SERVICING AGREEMENT, dated as of ~~March 30, 2001,~~ ~~[●],~~ is between ~~CL&P Funding LLC,~~ [Issuer], a Delaware limited liability company (together with any successor thereto permitted under the ~~Note~~ Indenture, as hereinafter defined, the ~~"Note Issuer"),~~ "Issuer"), and The Connecticut Light ~~and~~ & Power ~~Company,~~ Company d/b/a Eversource Energy ("CL&P"), a Connecticut corporation. RECITALS WHEREAS, pursuant to the ~~Statute~~ Connecticut Securitization Statutes and the Financing Order, the Seller and the ~~Note~~ Issuer are concurrently entering into the Sale Agreement pursuant to which the Seller is selling to the ~~Note~~ Issuer the Transition Property created pursuant to the ~~Statute~~ Connecticut Securitization Statutes and the Financing Order. WHEREAS, in connection with its ownership of the Transition Property and in order to collect the RRB Charge, the ~~Note~~ Issuer desires to engage the Servicer to carry out the functions described herein. The Servicer currently performs similar functions for itself with respect to its own charges billed to its ~~customers and for others.~~ Customers. In addition, the ~~Note~~ Issuer desires to engage the Servicer to act on its behalf in obtaining Periodic Adjustments from ~~the DPUC.~~ PURA. The Servicer desires to perform all of these activities on behalf of the ~~Note~~ Issuer. NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS Section 1.01. Definitions. Any capitalized terms used in this Agreement but not defined herein shall have the meaning given to such terms in the Indenture 1. Whenever used in this Agreement, the following words and phrases shall have the following meanings:

~~"Advice Letter"~~ "Agreement" means ~~any filing made~~ this Servicing Agreement, together with all Exhibits, Schedules and Annexes hereto, as the ~~DPUC by the Servicer on behalf of the Note Issuer~~ same may be amended and supplemented from time to ~~set or adjust the RRB Charge, including the Issuance Advice Letter, a Routine Annual True-Up Letter, a Routine True-Up Letter or a Non-Routine True-Up Letter.~~time.

~~"Agreement" means this Transition Property Servicing Agreement, together with all Exhibits, Schedules and Annexes hereto, as the same may be amended and supplemented from time to time.~~

~~"Annual Accountant's Report" has the meaning set forth in Section 3.04.~~

~~"Applicable TPS" means, with respect to each customer, the TPS, if any, billing the RRB Charge to that customer.~~

~~"Bills" means each of the regular monthly bills, summary bills and other bills issued to customers or TPSs by The Connecticut Light and Power Company on its own behalf and in its capacity as Servicer.~~

~~"Certificate of Compliance" has the meaning set forth in Section 3.03.~~

~~"Closing Date" means March 30, 2001.~~

~~"CTA" means the "competitive transition assessment" as defined in the Statute.~~

~~"Declaration of Trust" means the Declaration of Trust dated as of March 23, 2001 by First Union Trust Company, National Association, a national banking association, as Delaware Trustee, and the Finance Authority, as the same may be amended and supplemented from time to time.~~

~~"DPUC" means the Connecticut Department of Public Utility Control and any successor thereto.~~

~~"DPUC Regulations" means all regulations, rules, tariffs and laws applicable to public utilities or TPSs, as the case may be, and promulgated by, enforced by or otherwise within the jurisdiction of the DPUC.~~

~~"Expected Amortization Schedule" means Schedule 4.01(a) hereto.~~

~~"Finance Authority" means the State of Connecticut, acting through the office of the State Treasurer.~~

~~"Financing Order" means the order of the DPUC, issued on November 8, 2000 and supplemented on December 12, 2000 and March 12, 2001 in DPUC-00-05- 01.~~

"Indemnified Person" has the meaning assigned to such term in Section 6.02.

~~"Insolvency Event" means, with respect~~ "Indenture" means the Indenture dated as of the date hereof between the Issuer and the Indenture Trustee, as the same may be amended and supplemented from time to ~~a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable Federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable Federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due.~~time.

~~"Inter-Creditor Agreement" means~~ "Issuer" has the ~~Inter-Creditor Agreement dated as of March 30, 2001 among Citicorp North America, Inc., Citibank, N.A.,~~ meaning set forth in the ~~Servicer, the Note Trustee, the Note Issuer and CL&P Receivables Corporation, as amended, supplemented or modified from time~~ preamble to ~~time.~~this Agreement.

~~"Issuance Advice Letter" means the initial Issuance Advice Letter, dated March 28, 2001, filed with the DPUC pursuant to the Financing Order.~~

~~"Lien" means a security interest, lien, charge, pledge or encumbrance of any kind.~~

"Losses" has the meaning assigned to that term in Section 6.02(b). 1 NTD: Defined terms to be updated as necessary following finalization of Indenture.

~~"Monthly Servicer Certificate" has the meaning assigned to that term in Section 4.01(d)(2).~~

~~"Non-Routine Periodic Adjustment" has the meaning set forth in Section 4.01(c)(1).~~

~~"Non-Routine True-Up Letter" means a letter filed with the DPUC in accordance with the Financing Order with respect to any Non-Routine Periodic Adjustment, pursuant to which the related Non-Routine Periodic Adjustment will become effective within 60 days after filing of the Non-Routine True-Up Letter, subject to the review and approval of the DPUC.~~

~~"Note Indenture" means the Note Indenture dated as of March 30, 2001, between the Note Issuer and the Note Trustee, as the same may be amended and supplemented from time to time.~~

~~"Note Issuer" has the meaning set forth in the preamble to this Agreement.~~

"Officer's Certificate" means a certificate of the Servicer signed by a Responsible Officer.

~~"Opinion of Counsel" means one or more written opinions of counsel who may be an employee of or counsel to the party providing such opinion(s) of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.~~

~~"Periodic Adjustment" means each adjustment to the RRB Charge made pursuant to the terms of the Financing Order and in accordance with Section 4.01 hereof.~~

~~"Principal Balance" means, as of any Payment Date, the sum of the outstanding principal amount of the Notes.~~

~~"Projected Principal Balance" means, as of any Payment Date, the sum of the projected outstanding principal amount of the Notes for such Payment Date set forth in the Expected Amortization Schedule.~~

~~"Quarterly Servicer Certificate" has the meaning assigned to that term in Section 4.01(d)(3).~~

~~"Remittance" means each remittance pursuant to Section 4.03 of RRB Charge Payments by the Servicer to the Note Trustee.~~

~~"Remittance Date" means each Servicer Business Day on which a Remittance is to be made by the Servicer pursuant to Section 4.03.~~

~~"Remittance Period" means the twelve-month period commencing on January 1 of each year and ending on the last day of December of each year; provided, however, that the initial Remittance Period shall commence on the Closing Date and end on December 31, 2001.~~

~~"Required Debt Service" means, for any Remittance Period, the total dollar amount calculated by the Servicer in accordance with Section 4.01(b)(1) as necessary to be remitted to the Collection Account during such Remittance Period (after giving effect to (a) the allocation and distribution of amounts on deposit in the Reserve Subaccount at the time of calculation and which are available for payments on the Notes, (b) any shortfalls in Required Debt Service for any prior Remittance Period and (c) any Remittances based upon the RRB Charge in effect in the prior Remittance Period that are expected to be realized in such Remittance Period) in order to ensure that, as of the Payment Date immediately following the end of such period, (i) all accrued and unpaid interest on the Notes then due shall have been paid in full, (ii) the Principal Balance of the Notes is equal to the Projected Principal Balance of the Notes for that Payment Date, (iii) the balance on deposit in the Capital Subaccount equals the aggregate Required Capital Level, (iv) the balance on deposit in the Overcollateralization Subaccount equals the aggregate Required Overcollateralization Level and (v) all other fees, expenses and indemnities due and owing and required or allowed to be paid under Section 8.02 of the Note Indenture as of such date shall have been paid in full; provided, however, that, with respect to any Periodic Adjustment occurring after the last Scheduled Maturity Date for any Notes, the Required Debt Service shall be calculated to ensure that sufficient amounts will be collected to retire such Notes in full as of the earlier of (x) the next Payment Date and (y) the Final Maturity Date for such Notes.~~

"Responsible Officer" means the chief executive officer, the president, ~~the chairman or vice chairman of the board,~~ any vice president, the treasurer, any assistant treasurer, the secretary, the clerk, any assistant secretary, and assistant clerk, the controller or ~~the~~ a director of corporate finance ~~manager~~ or cash management of the Servicer.

~~"Retirement~~ "Servicer" means CL&P, as the initial servicer of the ~~Notes" means~~ Transition Property, or each successor (in the ~~day on which the final payment is made~~ same capacity) pursuant to ~~the Note Trustee in respect of the last outstanding Note.~~Section 6.04 or Section 7.02.

~~"Routine Annual True-Up Letter"~~ "Sponsor" means ~~a letter filed with~~ CL&P, in its capacity as "sponsor" of the ~~DPUC, substantially in~~ Rate Reduction Bonds within the ~~form~~ meaning of ~~Exhibit B hereto, at least 15 days prior to January 1 each year in respect of an annual Periodic Adjustment. The Routine Annual True-Up Letter will become~~

~~effective on January 1 each year, or such other date as may be specified in such Routine Annual True-Up Letter, so long as such effective date is at least 15 days after the filing of such Routine Annual True-Up Letter.~~Regulation AB.

~~"Routine True-Up Letter" means a letter filed with the DPUC, substantially in the form of Exhibit B hereto, in respect of a Periodic Adjustment. The Routine True-Up Letter will become effective 15 days after the filing thereof.~~

~~"RRB Charge" means the portion (which may become all) of the Seller's CTA designated pursuant to the Financing Order as the RRB Charge (including, without limitation, the RRB Charge included in special contract customer rates), as the same may be adjusted from time to time as provided in the Financing Order, and may in the future include a pro rata component of any exit fee collected pursuant to Section 16-245w of the Connecticut General Statutes.~~

~~"RRB Charge Collections" means the RRB Charge Payments remitted to the Collection Account.~~

~~"RRB Charge Payments" means the actual payments received by the Servicer, directly or indirectly (including through a TPS), from or on behalf of customers (including, without limitation, the RRB Charge included in special contract customer rates), multiplied by the percentage of such collections which is calculated in accordance with Annex II hereto to have been received in respect of the RRB Charge.~~

~~"Sale Agreement" means the Transition Property Purchase and Sale Agreement dated as of March 30, 2001, between The Connecticut Light and Power Company, as Seller, and the Note Issuer, as the same may be amended and supplemented from time to time.~~

~~"Seller" means The Connecticut Light and Power Company, a Connecticut corporation, and its permitted successors and assigns under the Sale Agreement.~~

~~"Seller's Receivables Purchase and Sale Agreement" means the Receivables Purchase and Sale Agreement dated as of September 30, 1997, as amended and restated as of March 30, 2001, among CL&P Receivables Corporation, the Servicer, Corporate Asset Funding Company, Inc., and Citibank, N.A. and Citicorp North America, Inc, as the same may be amended, supplemented, restated and renewed from time to time.~~

~~"Servicer" means The Connecticut Light and Power Company, as the servicer of the Transition Property, or each successor (in the same capacity) pursuant to Sections 6.04 or 7.02.~~

~~"Servicer Business Day" means any Business Day on which the Servicer's offices in the State of Connecticut are open for business.~~

~~"Servicer Default" means an event specified in Section 7.01.~~

~~"Servicing Fee" has the meaning set forth in Section 6.06(a).~~

~~"Statute" means Sections 16-245e through and including 16-245k of the Connecticut General Statutes.~~

"Termination Notice" has the meaning assigned to that term in Section ~~7.01(e).~~7.01.

~~"TPS" means a third party supplier of energy who has entered into a TPS Service Agreement with the Servicer.~~

~~"TPS Service Agreement" means an agreement between a third party supplier of energy and the Servicer pursuant to which such third party supplier of energy bills and collects the RRB Charge to and from customers in accordance with DPUC Regulations, the Financing Order and the guidelines described in Schedule A to Annex I.~~

"Transition Property" means the transition property that exists under Order 6 of the Financing Order (including, without limitation, the RRB Charge included in special contract customer rates) and is sold by the Seller to the Note Issuer under the Sale Agreement.

"Transition Property Records" has the meaning assigned to that term in Section 5.01.

Section 1.02. Other Definitional Provisions.

(a) Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in the Note Indenture.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words "hereof," "herein," "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule, Exhibit and Annex references contained in this Agreement are references to Sections, Schedules, Exhibits and Annexes in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation." (d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter forms of such terms.

ARTICLE 2 APPOINTMENT AND AUTHORIZATION Section 2.01. Appointment of Servicer; Acceptance of Appointment. Subject to Section 6.05 6.04 and Article 7, the Note Issuer hereby appoints the Servicer, and the Servicer hereby accepts such appointment, to perform the Servicer's obligations pursuant to this Agreement on behalf of and for the benefit of the Note Issuer or any assignee thereof in accordance with the terms of this Agreement and applicable law. This appointment and the Servicer's acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

Section 2.02. Authorization. With respect to all or any portion of the Transition Property, the Servicer shall be, and hereby is, is authorized and empowered by the Note Issuer to (a) execute and deliver, on behalf of itself and/or the Note Issuer, as the case may be, any and all instruments, documents or notices, and (b) on behalf of itself and/or the Note Issuer, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities, including with PURA and the DPUC. Office of the State Treasurer (the "OTT"). The Note Issuer shall execute and/or furnish the Servicer with such documents as have been prepared by the Servicer or the Administrator for execution by the Note Issuer, and with such other documents as may be in the Note Issuer's possession, as the Servicer may determine to be necessary or appropriate to enable it to carry out its servicing and administrative duties hereunder. Upon the Servicer's written request, the Note Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

Section 2.03. Dominion and Control Over the Transition Property. Notwithstanding any other provision herein, the Note Issuer shall have dominion and control over the Transition Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Note Issuer with respect to the Transition Property and the Transition Property Records. The Servicer shall not take any action that is not authorized by this Agreement Agreement, that would contravene the Connecticut Securitization Statutes or the Financing Order or that shall impair the rights of the Note Issuer or the Indenture Trustee in the Transition Property, in each case unless such action is required by applicable law.law or court or regulatory order.

ARTICLE 3 BILLING SERVICES Section 3.01. Duties of Servicer. The Servicer, as agent for the Note Issuer, shall have the following duties:

(a) The Servicer, as agent for the Issuer, shall have Duties of Servicer Generally.

(1) General Duties. The Servicer's duties in general shall ~~include~~ include: management, servicing and administration of the Transition Property; obtaining meter reads, calculating electricity ~~usage (including usage by customers of any TPS),~~ usage, billing, collection and posting of all payments in respect of the Transition ~~Property;~~ Property (including the RRB Charges); responding to inquiries by ~~customers, the DPUC,~~ Customers, PURA, or any federal, local or other state governmental authorities (including the OTT) with respect to the Transition ~~Property;~~ Property or RRB Charges; delivering Bills to ~~customers and TPSs,~~ Customers, investigating and handling delinquencies, processing and depositing collections and making periodic remittances; furnishing periodic reports to the ~~Note~~ Issuer, the ~~Note Trustee, the Certificate~~ Indenture Trustee and the Rating Agencies; and taking all necessary action in connection with Periodic Adjustments as set forth herein. ~~Certain of the duties set forth above may be performed by TPSs pursuant to TPS Service Agreements.~~ Without limiting the generality of this Section 3.01(a)(1), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities relating to data acquisition, usage and bill calculation, billing, ~~customer~~ Customer service functions, collection, payment processing and remittance set forth in Annex I hereto.

(2) ~~DPUC~~ PURA Regulations Control. Notwithstanding anything to the contrary in this Agreement, the duties of the Servicer set forth in this Agreement shall be qualified in their entirety by the Connecticut Securitization Statutes, the Financing Order and any ~~DPUC~~ PURA Regulations as in effect at the time such duties are to be performed.

(3) ~~Allocation~~ TPS Oversight Duties. In the event of ~~Special Contracts. The Servicer shall allocate revenues from special contract customers who~~ any future change in Connecticut law pursuant to which third party suppliers (each, a "TPS") are ~~receiving services under special contracts which were in effect on July 1, 1998, until such contracts expire, on~~ authorized to bill and collect any Competitive Transition Assessment, including the ~~same cents/kWh basis as the rest of the rate class in which the special contract customer resides. The Servicer shall calculate and include an unbundled breakdown at the bottom of each such special contract customer's bill. The Servicer shall allocate the total revenues from each such special contract customer to each of the unbundled rate components (including the unbundled CTA component and its~~ RRB ~~Charge subcomponent) on an equivalent cents/kWh basis times the actual kilowatt- hours. After the first six unbundled rate components (including the unbundled CTA component and its RRB Charge subcomponent) are fully satisfied with the proper revenue allocation,~~ Charge, the Servicer shall ~~allocate~~ implement such additional procedures and policies as are necessary to ensure that the obligations of all TPSs in connection with the billing, collection and remittance of the RRB Charge are properly enforced in accordance with the terms of any ~~remaining revenue~~ applicable agreement with the Servicer, the Financing Order, and any applicable laws and regulations in effect from time to time. Without limiting the ~~unbundled distribution rate component. If more dollars are allocated to~~ generality of the ~~first six rate components than were billed, the Servicer~~ foregoing, such procedures and policies shall ~~allocate a negative revenue amount to the unbundled distribution component.~~include:

(i) the requirement that any TPS authorized to bill and collect the RRB Charge meet such criteria as may be established by PURA and comply with such billing, collection and remittance procedures as may be required by the applicable Rating Agencies to maintain the then-current credit ratings on the Rate Reduction Bonds; and (ii) the imposition of credit and collection policies applicable to TPSs as may be reasonably necessary (a) to ensure the timely and complete remittance of all amounts collected in respect of the RRB Charge and (b) to prevent the then-current rating of the Rate Reduction Bonds from being downgraded, withdrawn or suspended. The Servicer shall use all reasonable efforts to monitor and enforce TPS compliance with the foregoing requirements. In addition to any actions required by the Financing Order, and any applicable laws and regulations in effect from time to time, the Servicer shall, with respect to the Customers:

(A) maintain adequate records for promptly identifying and contacting any TPS;

(B) maintain records of end-user Customers which are billed by any TPS to permit prompt transfer of billing in the event of default by such TPS;

(C) maintain adequate records for enforcing compliance by all TPSs with their obligations with respect to the RRB Charges; and (D) provide to each TPS such information necessary for such TPS to confirm the Servicer's calculation of RRB Charges and remittances.

(b) Reporting Functions.

(1) ~~Notification of Laws and Regulations.~~ Annual Reconciliation Report. The Servicer shall ~~promptly notify~~ deliver an annual written reconciliation report substantially in the ~~Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies in writing~~ form of ~~any laws or DPUC Regulations hereafter promulgated that have a material adverse effect on the Servicer's ability to perform its duties under this Agreement.~~Exhibit E hereto as required by Section 4.03(b) hereof.

(2) ~~Other Information. Upon~~ Notification of Laws and Regulations. The Servicer shall promptly notify the ~~reasonable request of the Note~~ Issuer, the ~~Note~~ Indenture Trustee, ~~the Certificate Trustee, or any Rating Agency, the Servicer shall provide to such Note Issuer, Note Trustee, Certificate Trustee, or the Rating Agencies, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the Transition Property to the extent it is reasonably available to the Servicer, as may be reasonably necessary and permitted by law for the Note Issuer, the Note Trustee, the Certificate Trustee, or~~ PURA, the Rating Agencies ~~to monitor~~ and the OTT in writing of any laws or PURA Regulations hereafter promulgated that have a material adverse effect on the Servicer's ~~performance hereunder.~~ability to perform its duties under this Agreement.

(3) ~~Preparation~~ Other Information. Upon the reasonable request of ~~Reports to be Filed with~~ the ~~SEC. The~~ Issuer, the Indenture Trustee or any Rating Agency, the Servicer shall ~~prepare~~ provide to such Issuer, Indenture Trustee or ~~cause~~ such Rating Agency, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the Transition Property to the extent it is reasonably available to the Servicer, as may be ~~prepared~~ reasonably necessary and permitted by law to enable the Issuer, the Indenture Trustee, or the Rating Agencies to monitor the Servicer's performance hereunder; provided, however, that any ~~reports required to be filed~~ such request by the ~~Note Issuer or~~ Indenture Trustee shall not create any obligation for the ~~Certificate Issuer under~~ Indenture Trustee to monitor the ~~securities laws, including a copy~~ performance of ~~each Quarterly Servicer Certificate described in Section 4.01(d)(3),~~ the ~~annual Certificate of Compliance described in Section 3.03 and the Annual Accountant's Report described in Section 3.04.~~Servicer.

(4) Preparation of Reports to be Filed with the SEC. The Servicer shall prepare or cause to be prepared any reports required to be filed by the Issuer or the Sponsor under the securities laws or other applicable laws, including, if so required, a copy of (i) each Monthly Servicer's Certificate, (ii) each Semi-Annual Servicer Certificate described in Section 4.01(d)(3) (under Form 10-D or any other applicable form), (iii) each Certificate of Compliance described in Section 3.03(a), (iv) any other certificates described in Section 3.03(b) and (v) the Annual Accountant's Report described in Section 3.04 (and any other attestation required under Regulation AB). In addition, the appropriate officer or officers of the Servicer shall (in its separate capacity as Sponsor) sign the Sponsor's annual report on Form 10-K (and any other applicable SEC or other reports, attestations, certifications and other documents), to the extent that the Servicer's signature is required by, and consistent with, the U.S. federal securities laws and/or any other applicable law.

Section 3.02. Servicing and Maintenance Standards. On behalf of the ~~Note~~ Issuer, the Servicer shall (a) manage, service, administer and make collections in respect of the Transition Property with reasonable care and in accordance with applicable law, including all applicable ~~DPUC~~ PURA Regulations and guidelines, using the same

degree of care and diligence that the Servicer exercises with respect to similar assets for its own account and, if applicable, for others;

(b) follow customary standards, policies and procedures for the industry in performing its duties as Servicer;

(c) use all reasonable efforts, consistent with its customary servicing procedures, to bill and collect the RRB Charge;

(d) file all filings under the applicable Uniform Commercial Code or the ~~Statute~~ Connecticut Securitization Statutes necessary or desirable to maintain the ownership interest and perfected ~~ownership or~~ security interest of the ~~Note~~ Issuer and the ~~Note Trustee~~ Indenture Trustee, respectively, in the Transition ~~Property;~~ Property with the priority required by the Indenture; and (e) comply in all material respects with all laws and regulations applicable to and binding on it relating to the Transition Property. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of all or any portion of the Transition Property, which, in the Servicer's judgment, may include the taking of legal action, at the ~~Note~~ Issuer's ~~expense.~~expense but subject to the priority of payments set forth in Section [8.02(e)] of the Indenture 2.

Section 3.03. Certificate of Compliance.~~The Servicer shall deliver to the Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies on or before March 31 of each year, commencing March 31, 2002 to and including the March 31 succeeding the Retirement of the Notes, an Officer's Certificate substantially in the form of Exhibit A hereto (a "Certificate of Compliance"), stating that:~~

(a) For so long as the Rate Reduction Bonds remain outstanding, the Servicer shall deliver to the Issuer, the Indenture Trustee, the Rating Agencies and the OTT on or before the earlier of (1) [●] 3 of each year or (2) with respect to each calendar year during which the Sponsor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which such annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, commencing [●], an Officer's Certificate substantially in the form of Exhibit A hereto (a "Certificate of Compliance"), stating that:

(i) a review of the activities of the Servicer during the twelve months ended the preceding December 31 (or, in the case of the first Certificate of Compliance to be delivered on or before ~~March 31, 2002,~~ [●], the period of time from the date of this Agreement until ~~December 31, 2001)~~ [●]) and of its performance under this Agreement has been made under such Responsible Officer's supervision, and (ii) to the best of such Responsible Officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations under this Agreement in all material respects ~~under this Agreement~~ throughout such twelve months (or, in the case of the Certificate of Compliance to be delivered on or before ~~March 31, 2002,~~ [●] the period of time from the date of this Agreement until ~~December 31, 2001),~~ [●]), or, if there has been a ~~default in the fulfillment of~~ failure to fulfill any such obligation in any material ~~obligation,~~ respect, specifying each such ~~material default~~ failure known to such Responsible Officer and the nature and status thereof.

(b) The Servicer shall use commercially reasonable efforts to obtain, from each other party participating in the servicing function, any additional certifications as to the statements and assessment required under Item 1122 or Item 1123 of Regulation AB (or any successor or similar item or rule) to the extent required in connection with the filing of the Issuer's annual report on Form 10-K; provided, however, that a failure to obtain such certifications shall not be a breach of the Servicer's duties hereunder. The parties acknowledge that the Indenture Trustee's certifications shall be limited to the Item 1122 certifications described in Section [6.01(l)] of the Indenture.

(c) The initial Servicer, in its capacity as Sponsor, shall post on its or its parent company's website and cause the Issuer to file with or furnish to the SEC, in periodic reports and other reports as are required from time to time under Section 13 or Section 15(d) of the Exchange Act, the information described in Section [3.07(g)] of the Indenture to

the extent such information is reasonably available to the Sponsor. 2 NTD: All Indenture cross-references to be confirmed. 3 NTD: Dates to be updated.

Section 3.04. Annual Report by Independent Public Accountants.

(a) ~~The~~ For so long as the Rate Reduction Bonds remain outstanding, the Servicer, at the ~~Note~~ Issuer's expense, shall cause a firm of independent ~~certified~~ registered public accountants (which may provide other services to the Servicer) to prepare, and the Servicer shall deliver to the ~~Note~~ Issuer, the ~~Note~~ Indenture Trustee, the ~~Certificate Trustee~~ Rating Agencies and the ~~Rating Agencies,~~ OTT, a report addressed to the Servicer (the "Annual Accountant's Report"), which may be included as part of the Servicer's customary auditing activities, for the information and use of the ~~Note~~ Issuer, the ~~Note~~ Indenture Trustee, the ~~Certificate Trustee~~ Rating Agencies and the ~~Rating Agencies,~~ OTT, on or before ~~March 31~~ the earlier of (i) [●] of each ~~year,~~ year or (ii) with respect to each calendar year during which the Sponsor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which such annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, beginning ~~March 31, 2002 to and including the March 31 succeeding the Retirement of the Notes, [●],~~ to the effect that such firm has performed certain procedures, agreed between the Servicer and such accountants, in connection with the Servicer's compliance with its obligations under Item 1122(d) of Regulation AB and this Agreement during the preceding twelve months ended December 31 (or, in the case of the first Annual Accountant's Report to be delivered on or before ~~March 31, 2002, [●],~~ the period of time from the date of this Agreement until ~~December 31, 2001), [●]),~~ identifying the results of such procedures and including any exceptions noted.

The Annual Accountant's Report shall also include any attestation report required under Item 1122(b) of Regulation AB (or any successor or similar items or rule), as then in effect.

(b) The Annual Accountant's Report shall also indicate that the accounting firm providing such report is independent of the Servicer within the meaning of the Code of Professional ~~Ethics~~ Conduct of the American Institute of Certified Public ~~Accountants.~~Accountants or any superseding or amended standard adopted by the Public Company Accounting Oversight Board.

ARTICLE 4 SERVICES RELATED TO PERIODIC ADJUSTMENTS; REMITTANCES Section 4.01. Periodic Adjustments. From time to time, until the Retirement of the ~~Notes,~~ Rate Reduction Bonds, the Servicer shall identify the need for Periodic Adjustments and shall take all reasonable action to obtain and implement such Periodic Adjustments, all in accordance with the following:

(a) Expected Amortization Schedule. The Expected Amortization Schedule is attached hereto as Schedule 4.01(a). If the Expected Amortization Schedule is revised, the Servicer shall send a copy of such revised Expected Amortization Schedule to the Issuer, the Indenture Trustee and the Rating Agencies promptly thereafter.

(b) Routine Periodic Adjustments and ~~Yearly~~ Annual Filings.

(1) Annual Routine ~~Annual~~ Periodic Adjustments and Filings. For the purpose of preparing ~~a~~ an Annual Routine ~~Annual~~ True-Up Letter, the Servicer shall:

(A) update the assumptions underlying the calculation of the RRB Charge, including ~~energy~~ forecasted kWh usage ~~volume,~~ by rate class, the rate of charge-offs and estimated ~~expenses and fees~~ ongoing transaction costs of the ~~Note Issuer and the Certificate~~ Issuer to the extent not fixed, ~~in each case~~ for the two Remittance ~~Period beginning~~ Periods beginning, respectively, on ~~January~~ [April 1 and October 1] of ~~each year;~~the year that such Annual Routine True-Up Letter is filed;

(B) ~~determine~~ update the ~~Required Debt Service for such Remittance Period based upon such updated assumptions; and (C) determine the RRB Charge to be charged during such Remittance Period based upon such Required Debt Service. The Servicer shall file a Routine Annual True-Up Letter with the DPUC no later than fifteen days prior to January 1~~ calculation of ~~each year.~~Weighted Average Days Outstanding;

~~(2) Routine~~ (C) determine the Periodic ~~Adjustments. Beginning in~~ RRB Payment Requirements for such Remittance Periods, based upon such updated assumptions; and (D) determine the ~~last year the Notes are scheduled~~ RRB Charge to be ~~outstanding,~~ charged during the twelve-month period commencing with the Payment Date immediately following the filing of such Annual Routine True-Up Letter based upon such Periodic RRB Payment Requirements. The Servicer shall file ~~a~~ an Annual Routine True-Up Letter ~~at least~~ with PURA no later than April 15 ~~days before the end~~ of each ~~calendar quarter. In addition, the Servicer shall file a Routine True-Up Letter at least 15 days before the end of any calendar quarter or, beginning in the last year the Notes are scheduled to be outstanding, at least 15 days before the end of any calendar month, at each such time as the Servicer may reasonably determine is necessary to meet the Required Debt Service for the then current Remittance Period.~~year.

~~(3)~~ (2) Routine Mid-Year Periodic Adjustments. The Servicer shall ~~take all reasonable actions and make all reasonable efforts~~ file a Mid-Year Routine True-Up Letter not later than October 15 of each year, if the Servicer reasonably projects that Estimated RRB Charge Payments (without giving effect to ~~secure any~~ the Periodic ~~Adjustments.~~Adjustments set forth in such Mid-Year Routine True-Up Letter) will be insufficient to cover the Periodic RRB Payment Requirements for the Remittance Period beginning on [October 1] of such year.

(3) Other Routine Periodic Adjustments. In addition (a) except during the two Remittance Periods preceding the Final Maturity Date for the latest maturing Tranche of Rate Reduction Bonds, the Servicer may (but shall not be required to) file an Other Routine True-Up Letter not later than the date that is 15 days before the end of any calendar month if it reasonably projects that Estimated RRB Charge Payments (without giving effect to the Periodic Adjustments set forth in such Other Routine TrueUp Letter) will be insufficient to cover the Periodic RRB Payment Requirements for the then-current Remittance Period and (b) during the two Remittance Periods preceding the Final Maturity Date, if the Servicer reasonably projects that Estimated RRB Charge Payments (without giving effect to the Periodic Adjustments set forth in such Other Routine True-Up Letter) will be insufficient to cover the Periodic RRB Payment Requirements for the then-current Remittance Period, the Servicer shall file an Other Routine True-Up Letter not later than the date that is 15 days before the end of the thencurrent calendar month.

(4) Effectiveness of Periodic Adjustments. Absent manifest error, the Periodic Adjustments will become effective:

(i) in the case of any Periodic Adjustment contained in any Annual Routine True-Up Letter, on the ensuing May 1;

(ii) in the case of any Periodic Adjustment contained in any Mid-Year Routine True-Up Letter, on the ensuing November 1; or (iii) in the case of a Periodic Adjustment related to an Other Routine True-Up Letter, on the first day of the calendar month following the filing of the applicable Other Routine True-Up Letter. The Servicer shall take all reasonable actions and make all reasonable efforts to secure any Periodic Adjustments.

(c) Non-Routine Periodic Adjustments.

(1) Whenever the Servicer determines that the existing model for calculating the RRB Charge should be amended or revised, ~~subject to the consent of the Note Issuer under the conditions set forth in Section 3.18 of the Note Indenture,~~ the Servicer shall file a Non-Routine True-Up Letter with ~~the DPUC~~ PURA designating the adjustments to such model and any corresponding adjustments to the RRB Charge (collectively, a "Non-Routine Periodic Adjustment"), subject to the review and approval of PURA that such adjustment is necessary to ensure the ~~DPUC pursuant~~ timely recovery of RRB Costs, with such review and determination to ~~the Financing Order.~~occur within thirty (30) days of such filing.

(2) The Servicer shall take all reasonable actions and make all reasonable efforts to secure any Non-Routine Periodic Adjustments.

(3) The Servicer shall implement any resulting adjustments to the model and any resulting revised RRB Charge ~~as of the~~ effective ~~date of the Non-Routine True-Up Letter.~~upon review and approval by PURA.

(d) Reports.

(1) Notification of Advice Letter Filings and Periodic Adjustments. Whenever the Servicer files an Advice Letter with ~~the DPUC,~~ PURA, the Servicer shall send a copy of such filing to the ~~Note~~ Issuer, the ~~Note~~ Indenture Trustee, ~~the Certificate Trustee and~~ the Rating Agencies and the OTT concurrently therewith. If any Periodic Adjustment requested in any such Advice Letter filing does not become effective on the applicable date as provided by the Financing Order, the Servicer shall notify the ~~Note~~ Issuer, the ~~Note~~ Indenture Trustee, ~~the Certificate Trustee and~~ the Rating Agencies and the OTT by the end of the second Servicer Business Day after such applicable date.

(2) Monthly Servicer Certificate. So long as any ~~Notes~~ Rate Reduction Bonds are outstanding, not later than fifteen (15) days after the end of each month after the ~~Certificates~~ Rate Reduction Bonds are ~~issued (excluding March, 2001),~~ issued, commencing with the calendar month ending [●], or if such day is not a Servicer Business Day, the next succeeding Servicer Business Day, the Servicer shall deliver a written report substantially in the form of Exhibit C hereto (the "Monthly Servicer Certificate") to the ~~Note~~ Issuer, the ~~Note~~ Trustee, the ~~Certificate Trustee~~ Rating Agencies and the ~~Rating Agencies.~~OTT.

(3) ~~Quarterly~~ Semi-Annual Servicer Certificate. So long as any ~~Notes~~ Rate Reduction Bonds are outstanding, not later than ~~11:00 a.m. (New York City time) on the~~ two Servicer Business ~~Day~~ Days immediately preceding each Payment Date, the Servicer shall deliver a written report substantially in the form of Exhibit D hereto (the ~~"Quarterly~~ "Semi-Annual Servicer Certificate") to the ~~Note~~ Issuer, the ~~Note~~ Indenture Trustee, the ~~Certificate Trustee~~ Rating Agencies and the ~~Rating Agencies.~~OTT.

~~(4) TPS Reports. The Servicer shall provide to the Rating Agencies, upon request, any publicly available reports filed by the Servicer with the DPUC (or otherwise made publicly available by the Servicer) relating to TPSs and any other non-confidential and non-proprietary information relating to TPSs reasonably requested by the Rating Agencies.~~

Section 4.02. Limitation of Liability.

(a) The ~~Note~~ Issuer and the Servicer expressly agree and acknowledge that:

(1) In connection with any Periodic Adjustment, the Servicer is acting solely in its capacity as the servicing agent hereunder.

(2) Neither the Servicer nor the ~~Note~~ Issuer shall be responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling or other determination made or not made, or any delay (other than any delay resulting from the Servicer's failure to file for Periodic Adjustments or Non-Routine Periodic Adjustments required by Section 4.01 in a timely and correct manner or other material breach by the Servicer of its duties under this Agreement that materially and adversely affects the Transition Property, any Periodic Adjustments or Non-Routine Periodic Adjustments), by ~~the DPUC (or, in connection with any Non-Routine Periodic Adjustment, by the Rating Agencies)~~ PURA in any way related to the Transition Property or in connection with any Periodic Adjustment or Non-Routine Periodic Adjustment, the subject of any filings under Section 4.01, any proposed Periodic Adjustment or Non-Routine Periodic Adjustment, or the approval of the RRB Charge and the adjustments thereto.

(3) ~~The~~ Except to the extent that the Servicer is liable under Section 6.02, the Servicer shall have no liability whatsoever relating to the calculation of the RRB Charge and the adjustments thereto (including any Non-Routine Periodic Adjustment), including as a result of any inaccuracy of any of the assumptions made in such calculation regarding expected ~~energy~~ forecasted kWh usage ~~volume,~~ by rate class, the rate of charge-offs, Weighted Average Days Outstanding and estimated ~~expenses and fees~~ ongoing transaction costs of the ~~Note Issuer and the Certificate~~ Issuer, so long as the Servicer has acted in good faith and not acted in a grossly negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the ~~Noteholders or the Certificateholders,~~ Holders, not receiving any payment, amount or return anticipated or expected in respect of any ~~Note or Certificate generally, except only to the extent that the Servicer is liable under Section 6.02 of this Agreement.~~Rate Reduction Bond generally.

(b) Notwithstanding the foregoing, this Section 4.02 shall not relieve the Servicer of any liability under Section 6.02 for any misrepresentation by the Servicer under Section 6.01 or for any breach by the Servicer of its obligations under this Agreement.

Section 4.03. Remittances.

(a) ~~Pursuant~~ Subject to ~~the remittance methodology more fully described in Annex II hereto, starting with collections that are received~~ Section 4.03(b) below, on ~~the first~~ each Servicer Business ~~Day that is at least 45 days~~ Day, commencing approximately the Weighted Average Days Outstanding after the ~~first day on which The Connecticut Light & Power Company imposes the RRB Charge,~~ date of this Agreement, the Servicer will ~~remit~~ cause to ~~the Note Trustee,~~ be made within two Servicer Business Days ~~after~~ of deemed receipt, ~~by~~ a wire transfer of immediately available funds to the ~~General Subaccount of the~~ Collection ~~Account,~~ Account in an amount equal to the Estimated RRB Charge Payments (as calculated in accordance with Annex ~~II~~ I hereto) received on such ~~day~~ Servicer Business Day and on any prior day that was not a Servicer Business Day for which a Remittance has not previously been ~~made.~~ made (taking into account the Weighted Average Days Outstanding in effect from time to time). Prior to or simultaneous with each Remittance to ~~the General Subaccount of~~ the Collection Account pursuant to this Section, the Servicer shall provide written notice to the ~~Note~~ Indenture Trustee of each such Remittance (including the exact dollar amount to be remitted).~~In accordance with to Section 16-245g(c) of the Statute, amounts collected from customers shall be allocated on a pro rata basis among (i) the RRB Charge, (ii) any remaining portion of the CTA not the subject of the Financing Order, and (iii) the Servicer's other charges.~~

(b) ~~The Servicer may elect to make Remittances less frequently than on a daily basis, and shall be permitted to do so, but in any event shall make Remittances within one calendar month~~ On or before [March 1] 4 of ~~collection thereof, provided that~~ each year, the Servicer shall ~~send written notice~~ calculate the amount of any Remittance Shortfall or Remittance Excess attributable to the prior Reconciliation Period 5 and (A) if a Remittance Shortfall exists, the Servicer shall make a supplemental wire transfer of immediately available funds to the Collection Account on the next Servicer Business Day following such calculation in the amount of such ~~election~~ Remittance Shortfall, or (B) if a Remittance Excess exists, the Servicer may reduce the amount of Remittances to be made to the ~~Note~~ Issuer on succeeding Servicer Business Days in an amount equal to the amount of such Remittance Excess until the balance of the Remittance Excess has been reduced to zero. The Servicer shall deliver a written report setting forth in reasonable detail the calculation of any Remittance Excess or Remittance Shortfall to the Issuer, the ~~Note Trustee and the Certificate~~ Indenture Trustee, ~~together with (i) an Officer's Certificate stating that no Servicer Default has occurred and is continuing under this Servicing Agreement, (ii) evidence that the Rating Agency Condition has been satisfied, (iii) evidence of the delivery by the Servicer to the Note Issuer or the Note Trustee, as applicable, of any credit enhancement which may be required by~~ the Rating Agencies ~~in connection therewith in form and substance satisfactory to the Note Issuer~~ and the ~~Note Trustee,~~ OTT as ~~applicable, the cost of which credit enhancement shall be borne solely by the Servicer, and (iv) an executed copy of any appropriate amendment hereto~~

~~or to the Note Indenture or any other Basic Agreement as reasonably requested by the Servicer, the Note Issuer or the Note Trustee~~ in ~~connection therewith.~~Exhibit E.

(c) The Servicer agrees and acknowledges that it ~~will remit~~ holds all Estimated RRB Charge Payments and any other proceeds for RRB Collateral received by it for the benefit of the Indenture Trustee and the Holders and that all such amounts will be remitted by the Servicer in accordance with this Section 4.03 without any surcharge, fee, offset, charge or other deduction except (i) as set forth in Section 4.03(b) above and (ii) for late fees and interest earnings permitted by Section 6.06.

ARTICLE 5 THE ~~TRANSITION~~ RRB PROPERTY Section 5.01. Custody of Transition Property Records. To assure uniform quality in servicing the Transition Property and to reduce administrative costs, the ~~Note~~ Issuer hereby revocably appoints the Servicer, and the Servicer hereby accepts such appointment, to act as the agent of the ~~Note~~ Issuer ~~and the Note Trustee~~ as custodian of any and all documents and records that the Servicer shall keep on file, in accordance with its customary procedures, relating to the Transition Property, including copies of the Financing Order and Advice Letters relating thereto and all documents filed with ~~the DPUC~~ PURA in connection with any Periodic Adjustment or Non-Routine Periodic Adjustment and computational records relating thereto (collectively, the "Transition Property Records"), which are hereby constructively delivered to the ~~Note~~ Indenture Trustee, as pledgee of the ~~Note~~ Issuer with respect to all Transition Property.

Section 5.02. Duties of Servicer as Custodian. 4 NTD: Timing TBD. 5 NTD: To be defined in the Indenture (likely the prior calendar year).

(a) Safekeeping.~~The Servicer shall hold the Transition Property Records on behalf of the Note Issuer and maintain such accurate and complete accounts, records and computer systems pertaining to the Transition Property Records on behalf of the Note Issuer and the Note Trustee as shall enable the Note Issuer to comply with this Agreement and the Note Indenture. In performing its duties as custodian the Servicer shall act with reasonable care, using that degree of care and diligence that the Servicer exercises with respect to comparable assets that the Servicer services for itself or, if applicable, for others. The Servicer shall promptly report to the Note Issuer and the Note Trustee any failure on its part to hold the Transition Property Records and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Note Issuer or the Note Trustee of the Transition Property Records. The Servicer's duties to hold the Transition Property Records on behalf of the Note Issuer set forth in this Section 5.02, to the extent such Transition Property Records have not been previously transferred to a successor Servicer pursuant to Article 7, shall terminate one year and one day after the earlier of the date on which (i) the Servicer is succeeded by a successor Servicer in accordance with Article 7 and (ii) no Notes are outstanding.~~

The Servicer shall hold the Transition Property Records on behalf of the Issuer and the Indenture Trustee and maintain such accurate and complete accounts, records and computer systems pertaining to the Transition Property Records on behalf of the Issuer and the Indenture Trustee as shall enable the Issuer and the Indenture Trustee, as applicable to comply with this Agreement, the Sale Agreement and the Indenture.

In performing its duties as custodian, the Servicer shall act with reasonable care, using that degree of care and diligence that the Servicer exercises with respect to comparable assets that the Servicer services for itself or, if applicable, for others.

The Servicer shall promptly report to the Issuer, the Indenture Trustee and the Rating Agencies any failure on its part to hold the Transition Property Records and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure.

Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Indenture Trustee of the Transition Property Records.

The Servicer's duties to hold the Transition Property Records on behalf of the Issuer set forth in this Section 5.02, to the extent such Transition Property Records have not been previously transferred to a successor Servicer pursuant to Article 7, shall terminate one year and one day after the earlier of the date on which (i) the Servicer is succeeded by a successor Servicer in accordance with Article 7 and (ii) no Rate Reduction Bonds are outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain at all times records and accounts that permit the Servicer to identify RRB Charges billed. The Servicer shall maintain the Transition Property Records ~~in Berlin, Connecticut~~ at CL&P's corporate offices or at such other office ~~in the United States~~ as shall be specified to the ~~Note~~ Issuer and the ~~Note~~ Indenture Trustee by written notice at least 30 days prior to any change in location. The Servicer shall make available for inspection to the ~~Note Issuer and~~ Issuer, the ~~Note Trustee~~ Indenture Trustee, PURA, or their respective duly authorized representatives, attorneys or auditors the Transition Property Records at such times during normal business hours as the ~~Note Issuer~~ Issuer, the Indenture Trustee or ~~the Note Trustee~~ PURA shall reasonably request and which do not unreasonably interfere with the Servicer's normal operations. ~~Nothing in this Section 5.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any DPUC Regulations) prohibiting disclosure of information regarding the customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.02(b).~~

(c) Release of Documents. Upon instruction from the ~~Note~~ Indenture Trustee in accordance with the ~~Note~~ Indenture, the Servicer shall release any Transition Property Records to the ~~Note~~ Indenture Trustee, the ~~Note~~ Indenture Trustee's agent or the ~~Note~~ Indenture Trustee's designee, as the case may be, at such place or places as the ~~Note~~ Indenture Trustee may designate, as soon as practicable.

(d) Defending Transition Property Against Claims. The Servicer, on behalf of the ~~Noteholders~~ Issuer and the ~~Certificateholders,~~ Holders, shall institute any action or proceeding necessary to compel performance by ~~the DPUC or~~ PURA and/or the State of Connecticut of any of their obligations or duties under the ~~Statute,~~ Connecticut Securitization Statutes, the Financing Order or any Advice ~~Letter,~~ Letter with respect to any Periodic Adjustment, and the Servicer agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to block or overturn any attempts to cause a repeal of, modification ~~of~~ of, or supplement ~~to~~ to, the ~~Statute~~ Connecticut Securitization Statutes or the Financing Order or the rights of holders of Transition Property by executive action, legislative enactment or constitutional amendment or (if such means become available in the future) referendum or initiative petition that would be adverse to ~~Certificateholders.~~ Holders, the Issuer or the Indenture Trustee. The costs of any such action shall be payable from RRB Charge Collections as an Operating Expense in accordance with the priorities set forth in Section ~~8.02(d)~~ [8.02(e)] of the ~~Note~~ Indenture. The Servicer's obligations pursuant to this Section 5.02 shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to ~~Section 8.02(d)~~ [Section 8.02(e)] of the ~~Note~~ Indenture may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations hereunder).

(e) Nothing in this Section 5.02 shall affect the obligation of the Servicer to observe any applicable law (including any PURA Regulations) prohibiting disclosure of information regarding the Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.02.

Section 5.03. Instructions; Authority to Act. For so long as any ~~Notes~~ Rate Reduction Bonds remain outstanding, the Servicer shall be deemed to have received proper instructions with respect to the Transition Property Records upon

its receipt of written instructions signed by a Responsible Officer (as defined in the ~~Note~~ Indenture) of the ~~Note Trustee.~~Indenture Trustee pursuant to the Indenture.

Section 5.04. Effective Period and Termination. The Servicer's appointment as custodian shall become effective as of the Closing Date and shall continue in full force and effect until terminated pursuant to this Section 5.04. If any Servicer shall resign as Servicer in accordance with the provisions of this Agreement or if all of the rights and obligations of any Servicer shall have been terminated under Section 7.01, the appointment of such Servicer as custodian shall terminate upon appointment of a successor Servicer, subject to the approval of ~~the DPUC,~~ PURA, and acceptance by such successor Servicer of such appointment.

~~Section 5.05. Monitoring of Third-Party Suppliers. From time to time, until the Retirement of the Notes, the Servicer shall, using the same degree of care and diligence that it exercises with respect to payments owed to it for its own account, implement such procedures and policies as are necessary to properly enforce the obligations of each TPS to remit RRB Charges, in accordance with the terms and provisions of the Financing Order, the TPS Service Agreement and Schedule A to Annex I hereto.~~

~~Section 5.06. Monitoring and Collecting Exit Charges. The Servicer shall, using the same degree of care and diligence that it exercises with respect to payments owed to it for its own account, bill and collect any exit charges to which it may be entitled pursuant to Section 16-245w of the Connecticut General Statutes, and shall remit that portion of the exit charges representing (or allocable to) the RRB Charge together with the RRB Charge Payments for a particular billing date.~~

ARTICLE 6 THE SERVICER Section 6.01. Representations and Warranties of Servicer. The Servicer makes the following representations and warranties, as of the Closing Date, and as of such other dates as expressly provided in this Section 6.01, on which the ~~Note~~ Issuer is deemed to have relied in entering into this Agreement relating to the servicing of the Transition Property. The representations and warranties shall survive the execution and delivery of this Agreement, the sale of any Transition Property and the pledge thereof to the Indenture Trustee pursuant to the Indenture.

(a) Organization and Good Standing. The Servicer is duly organized and validly existing as a corporation in good standing under the laws of the State of Connecticut, with the requisite corporate power and authority to own its properties as such properties are currently owned and to conduct its business as such business is ~~now~~ currently conducted by it, and has the requisite corporate power and authority to service the Transition Property and to hold the Transition Property Records as custodian.

(b) Due Qualification. The Servicer is duly qualified to do business as a foreign corporation in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the Transition Property as required by this Agreement) shall require such qualifications, licenses or approvals (except where the failure to so qualify or obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues or properties or adversely affect the servicing of the Transition Property).

(c) Power and Authority. The Servicer has the requisite corporate power and authority to execute and deliver this Agreement and to carry out its terms; and the execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of the Servicer.

(d) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Servicer enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally from time to time in effect and to

general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not:

(i) conflict with or result in any breach of any of the terms and provisions of, nor constitute (with or without notice or lapse of time) a default under, the articles of organization or by-laws of the Servicer, or any material indenture, agreement or other instrument to which the Servicer is a party or by which it is bound;

(ii) result in the creation or imposition of any Lien upon any of the Servicer's properties pursuant to the terms of any such indenture, agreement or other instrument; nor (iii) violate any existing law or any existing order, rule or regulation applicable to the Servicer of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties, so as to adversely affect the Servicer, the ~~Noteholders~~ Issuer or the ~~Certificateholders.~~Holders.

(f) No Proceedings. There are no proceedings pending and, to the Servicer's knowledge, there are no proceedings threatened and, to the Servicer's knowledge, there are no investigations pending or threatened, before any court, federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties involving or relating to the Servicer or the ~~Note~~ Issuer or, to the Servicer's knowledge, any other Person:

(i) asserting the invalidity of this Agreement;

(ii) seeking to prevent the issuance of the Rate Reduction Bonds or the consummation of any of the transactions contemplated by this ~~Agreement;~~ Agreement or ~~(iii) seeking~~ any ~~determination or ruling that might materially and adversely affect~~ of the ~~performance by the Servicer of its obligations under, or the validity or enforceability of, this Agreement.~~other Basic Documents;

(iii) seeking any determination or ruling that might materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, this Agreement or any of the other Basic Documents; or (iv) seeking to adversely affect the U.S. federal income tax, state income tax or franchise tax classification of the Rate Reduction Bonds as debt.

(g) Approvals. No approval, authorization, consent, order or other action of, or filing with, any court, federal or state regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Servicer of this Agreement, the performance by the Servicer of the transactions contemplated hereby or the fulfillment by the Servicer of the terms hereof, except those that have been obtained or made and those that the Servicer is required to make in the future pursuant to Article 3 or Article 4 hereof and post-closing filings in connection therewith.

(h) Reports and Certificates. Each report and certificate delivered in connection with any filing made to PURA by the Issuer with respect to the RRB Charges or Periodic Adjustments will constitute a representation and warranty by the Servicer that each such report or certificate, as the case may be, is true and correct in all material respects; provided, however, that, to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are believed by the Servicer to be reasonable based upon historical performance (and facts known to the Servicer on the date such report or certificate is delivered).

Section 6.02. Indemnities of Servicer.

(a) The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer and as expressly provided under this Section 6.02.

(b) The Servicer shall indemnify the ~~Note Issuer, the Noteholders,~~ Issuer and the ~~Certificateholders and any Swap Counterparty(each~~ Holders (each an "Indemnified Person" for purposes of ~~Section 6.02 (b)~~ Sections 6.02(b) and (d)) for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, actual damages, payments, claims, costs or expenses of any kind whatsoever (collectively, "Losses") that may be imposed on, incurred by or asserted against any such Person as a result of (i) the Servicer's willful ~~misconduct~~ misconduct, bad faith or gross negligence in the performance ~~of~~ of, or reckless disregard of, its duties or observance of its covenants under this Agreement (including the Servicer's willful ~~misconduct~~ misconduct, bad faith, or gross negligence in the performance of, or reckless disregard of, its duties relating to the maintenance and custody by the Servicer, as custodian, of the Transition Property Records) or (ii) the Servicer's breach in any material respect of any of its representations or warranties in this Agreement; provided, however, that the Servicer shall not be liable for any Losses resulting from the willful misconduct or gross negligence of any such Indemnified Person; and, provided, further, that the ~~Noteholders, and the Certificateholders and any Swap Counterparty~~ Holders shall be entitled to enforce their rights and remedies against the Servicer under this Section 6.02(b) solely through a cause of action brought for their benefit by the ~~Note Trustee or the Certificate Trustee, as the case may be; and, provided, further, that the Servicer shall not be liable for any Losses, regardless of when incurred, after the Notes and the Certificates have been paid in full and any Losses are fully paid to any Swap Counterparty, except as provided in Section 6.02(c).~~Indenture Trustee.

(c) The Servicer shall indemnify and hold harmless the ~~Note Trustee, the Delaware Trustee, any Swap Counterparty, the Certificate Trustee, the Certificate Issuer, the State of Connecticut, the Finance Authority, the State Treasurer, agencies of the State of Connecticut~~ Indenture Trustee and any of ~~their~~ its respective affiliates, officials, officers, directors, employees, consultants, counsel and agents (each an "Indemnified Person" for purposes of Section 6.02(c) and (d)) for, and defend and hold harmless each such Person from and against, any and all Losses imposed on, incurred by or asserted against any of such Indemnified Persons as a result of:

(i) the Servicer's willful ~~misconduct~~ misconduct, bad faith, or gross negligence in the performance ~~of~~ of, or reckless disregard of, its duties or observance of its covenants under this Agreement (including the Servicer's willful ~~misconduct~~ misconduct, bad faith, or gross negligence in the performance of, or reckless disregard of, its duties relating to the maintenance and custody by the Servicer, as custodian, of the Transition Property Records) or (ii) the Servicer's breach in any material respect of any of its representations or warranties in this Agreement; provided, however, that the Servicer shall not be liable for any Losses resulting from the willful misconduct or gross negligence of such Indemnified Person or resulting from a breach of a representation or warranty made by such Indemnified Person in any of the Basic Documents that gives rise to the Servicer's breach.

(d) The Servicer shall not be required to indemnify an Indemnified Person for any amount paid or payable by such Indemnified Person ~~pursuant to Section 6.02(b) or (c)~~ in the settlement of any action, proceeding or investigation without the written consent of the Servicer, which consent shall not be unreasonably withheld.

Promptly after receipt by an Indemnified Person of notice of its involvement in any action, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against the Servicer under this Section ~~6.02 (b) or (c),~~ 6.02(d), notify the Servicer in writing of such involvement.

Failure by an Indemnified Person to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Person under this Section ~~6.02(b) or (c), as applicable,~~ 6.02, only to the extent that the Servicer suffers actual prejudice as a result of such failure.

With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section ~~6.02(b) or (c),~~ 6.02, the Servicer shall be entitled to assume the defense of any such action, proceeding or investigation.

Upon assumption by the Servicer of the defense of any such action, proceeding or investigation, the Indemnified Person shall have the right to participate in such action or proceeding and to retain its own counsel.

The Servicer shall be entitled to appoint counsel of the Servicer's choice at the Servicer's expense to represent the Indemnified Person in any action, proceeding or investigation for which a claim of indemnification is made against the Servicer under this Section ~~6.02(b) or (c)~~ 6.02 (in which case the Servicer shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Person except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the Indemnified Person.

Notwithstanding the Servicer's election to appoint counsel to represent the Indemnified Person in an action, proceeding or investigation, the Indemnified Person shall have the right to employ separate counsel (including one local ~~counsel),~~ counsel in each relevant jurisdiction), and the Servicer shall bear the reasonable and documented out-of-pocket fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Servicer to represent the Indemnified Person would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the Indemnified Person and the Servicer and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Servicer, (iii) the Servicer shall not have employed counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action or (iv) the Servicer shall authorize the Indemnified Person to employ separate counsel at the expense of the Servicer.

~~Notwithstanding the foregoing, the Servicer shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Persons (in addition to local counsel).~~

The Servicer will not, without the prior written consent of the Indemnified Person, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section ~~6.02(b) or (c), as applicable~~ 6.02 (whether or not the Indemnified Person is an actual or potential party to such claim or action) unless such settlement, compromise or consent includes an unconditional release of the Indemnified Person from all liability arising out of such claim, action, suit or proceeding.

(e) ~~Indemnification~~ The right to indemnification under this Section ~~6.02(b)~~ 6.02 shall survive the resignation or removal of the Indenture Trustee and/or the termination of this Agreement and ~~6.02(c)~~ shall include reasonable and documented out-of-pocket fees and ~~out-of-pocket~~ expenses of investigation and litigation (including reasonable and documented out-of-pocket attorneys' fees and expenses), except as otherwise provided in this Agreement. Any payments made by the Servicer pursuant to this Section 6.02 shall be remitted to the Indenture Trustee for deposit into the Collection Account.

(f) For purposes of this Section ~~6.02(b) and 6.02(c),~~ 6.02, in the event of the termination of the rights and obligations of ~~The Connecticut Light and Power Company~~ CL&P (or any successor thereto pursuant to Section 6.04) as Servicer pursuant to Section 7.01, or a resignation by such Servicer pursuant to this Agreement, such Servicer shall be deemed to be the Servicer pending appointment of a successor Servicer pursuant to Section 7.02.

~~(g) The indemnities contained in this~~ Section ~~6.02 survive the resignation or termination of the Note Trustee, the Certificate Trustee or the Delaware Trustee or the termination of this Agreement or any Swap Agreement.~~6.03.

~~Section 6.03.~~ Limitation on Liability of Servicer and Others.~~Except as otherwise provided under this Agreement, neither the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Note Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment; provided, however, that this provision shall not protect the Servicer or any director, officer, employee or agent of the Servicer against any liability that would otherwise be imposed by reason of willful misconduct or negligence in the performance of duties under this Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Note Trustee or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Agreement. Except as provided in this Agreement, the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action relating to the Transition Property.~~

Except as otherwise provided under this Agreement, neither the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment; provided, however, that this provision shall not protect the Servicer or any director, officer, employee or agent of the Servicer against any liability that would otherwise be imposed by reason of willful misconduct, recklessness or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties under this Agreement.

The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Indenture Trustee or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Agreement.

Except as provided in this Agreement, the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action relating to the Transition Property; provided, however, that the Servicer may, in respect of any proceeding, undertake any action that it is not specifically identified in this Agreement as a duty of the Servicer but that the Servicer reasonably determines is necessary or desirable in order to protect the rights and duties of the Issuer or the Indenture Trustee under this Agreement and the interests of the Holders and Customers under this Agreement.

The Servicer acknowledges that PURA has authority to enter an order enforcing the provisions of this Servicing Agreement.

Section 6.04.

Merger or Consolidation of, or Assumption of the Obligations of, Servicer.

Any Person (a) into which the Servicer may be merged or consolidated, (b) which may result from any merger or consolidation to which the Servicer shall be a party or (c) which may succeed to the properties and assets of the Servicer substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Servicer hereunder, shall be the successor to the Servicer under this Agreement without further act on the part of any of the parties to this Agreement; provided, however, that (i) immediately after giving effect to such transaction, no Servicer Default and no event which, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, (ii) the Servicer shall have delivered to the ~~Note~~ Issuer and the ~~Note~~ Indenture Trustee an Officers' Certificate stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent provided for in this Agreement relating to such transaction have been complied with, (iii) the Servicer shall have delivered to the ~~Note~~ Issuer and the ~~Note~~ Indenture Trustee an Opinion of Counsel ~~either (A)~~ stating that, in the opinion of such ~~counsel,~~ counsel (A) all ~~statutory~~ conditions precedent to such consolidation, merger or succession and such

agreement of assumption provided for in this Agreement relating to such transaction have been complied with and (B) either (1) all filings to be made by the Servicer, including filings with ~~the DPUC~~ PURA pursuant to the ~~Statute,~~ Connecticut Securitization Statutes and filings under the applicable Uniform Commercial Code, have been executed and filed that are necessary to preserve and protect fully the interests of the ~~Note~~ Issuer and the Indenture Trustee in the Transition Property and reciting the details of such filings or ~~(B) stating that, in the opinion of such counsel,~~ (2) no such action shall be necessary to preserve and protect such ~~interests~~ interests, (iv) the Servicer shall have delivered to the Issuer, the Indenture Trustee and ~~(iv)~~ the Rating Agencies an Opinion of Counsel from independent tax counsel stating that, for U.S. federal income tax purposes, such consolidation, conversion, merger or succession and such agreement of assumption will not result in a material adverse U.S. federal income tax consequence to the Issuer or the Holders and (v) the Rating Agencies shall have received prior written notice of such transaction.

When any Person acquires the properties and assets of the Servicer substantially as a whole and becomes the successor to the Servicer in accordance with the terms of this Section 6.04, then upon satisfaction of all of the other conditions of this Section 6.04, the Servicer shall automatically and without further notice be released from all its obligations hereunder.

Section 6.05. The Connecticut Light ~~and~~ & Power Company Not to Resign as Servicer. Subject to the provisions of Section 6.04, ~~The Connecticut Light and Power Company~~ CL&P shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement except upon either (a) a determination by CL&P that the performance of its duties under this Agreement shall no longer be permissible under applicable law or (b) satisfaction of the following:

(i) the Rating Agency Condition shall have been satisfied ~~(except that with respect to Moody's it shall be sufficient to provide ten days prior notice)~~ and (ii) ~~the DPUC~~ PURA shall have approved such resignation. Notice of any such determination permitting the resignation of ~~The Connecticut Light and Power Company~~ CL&P shall be communicated to the ~~Note~~ Issuer, the ~~Note Trustee, the Certificate~~ Indenture Trustee and the Rating Agencies at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time) and any such determination that the performance of ~~The Connecticut Light and Power Company's~~ CL&P's duties under this Agreement shall no longer be permissible under applicable law shall be evidenced by an Opinion of Counsel to such effect delivered by ~~The Connecticut Light and Power Company~~ CL&P to the ~~Note Issuer, the Note Trustee~~ Issuer and the ~~Certificate~~ Indenture Trustee concurrently with or promptly after such notice. No such resignation shall become effective until a successor Servicer shall have assumed the responsibilities and obligations of ~~The Connecticut Light and Power Company~~ CL&P in accordance with Section 7.02.

Section 6.06. Servicing Compensation.

(a) In consideration for its services hereunder, until the ~~Retirement~~ collection in full of the ~~Notes,~~ RRB Charges, the Servicer shall receive (x) an annual fee (the "Servicing Fee") in an amount equal to (i) five ~~one-hundredth~~ one-hundredths of one percent (0.05%) of the initial principal balance of the ~~Notes~~ Rate Reduction Bonds for so long as the Servicer is ~~The Connecticut Light and Power Company~~ CL&P or any successor Servicer that ~~bills the RRB Charge concurrently~~ is affiliated with ~~other charges for services~~ CL&P or (ii) up to six tenths of one ~~and one-quarter~~ percent ~~(1.25%)~~ (0.60%) of the initial principal balance of the ~~Notes~~ Rate Reduction Bonds for so long as the Servicer is a successor Servicer ~~that bills the RRB Charge separately to customers~~ is not an affiliate of CL&P (which amount shall be determined by a separate agreement between the ~~Note~~ Issuer and the ~~Servicer).~~ successor Servicer) and (y) an initial fee payable on the Closing Date of $50,000. The Servicing Fee shall be payable in ~~quarterly~~ semi-annual installments on each Payment Date. The Servicer also shall be entitled to retain as additional compensation (i) any interest earnings on RRB Charge ~~Payments~~ Collections received by the Servicer and invested by the Servicer pursuant to Section 6(c) of Annex I hereto prior to remittance to the Collection Account and (ii) all late payment charges, if any, collected from ~~customers or TPSs.~~ Customers to the extent consistent with the Tariff.

(b) The Servicing Fee set forth in Section 6.06(a) above and expenses provided for in Section 6.06(c) below shall be paid to the ~~Servicer by the Note Trustee,~~ Servicer, on each Payment Date in accordance with the priorities set forth in Section ~~8.02(d)~~ [8.02(e)] of the ~~Note~~ Indenture, by wire transfer of immediately available funds from the Collection Account to an account designated by the Servicer. Any portion of the Servicing Fee not paid on such date shall be added to the Servicing Fee payable on the subsequent Payment Date.

(c) The ~~Note~~ Issuer shall pay all reasonable and documented out-of-pocket expenses incurred by the Servicer in connection with its activities hereunder (including any reasonable and documented out-of-pocket fees to and disbursements by accountants, counsel, or any other Person, any taxes imposed on the Servicer (other than taxes based on the Servicer's net ~~income)~~ income and the Servicer's gross earnings tax) and any expenses incurred in connection with reports to ~~Noteholders and Certificateholders,~~ Holders, subject to the priorities set forth in Section ~~8.02(d)~~ [8.02(e)] of the ~~Note Indenture).~~Indenture), except for expenses resulting from the Servicer's gross negligence, bad faith, or willful misconduct.

Section 6.07. Compliance with Applicable Law. The Servicer covenants and agrees, in servicing the Transition Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to such Transition Property the noncompliance with which would have a material adverse effect on the value of the Transition Property; provided, however, that the foregoing is not intended to, and shall not, impose any liability on the Servicer for noncompliance with any law that the Servicer is contesting in good faith in accordance with its customary standards and procedures.

Section 6.08. Access to Certain Records and Information Regarding Transition Property. The Servicer shall provide to the ~~Noteholders,~~ Holders, the ~~Note Trustee~~ Issuer and the ~~Certificate~~ Indenture Trustee access to the Transition Property ~~Records in such cases where~~ Records, the ~~Noteholders,~~ Indenture, the ~~Note Trustee~~ Servicing Agreement and the ~~Certificate Trustee shall be~~ Administration Agreement as required by applicable ~~law~~ law, and in the case of the Indenture Trustee, as is reasonably required for the Indenture Trustee to ~~be provided access to such records.~~ perform its duties and obligations. Access shall be afforded without charge, but only upon reasonable request and during normal business hours at the respective offices of the Servicer. Nothing in this Section shall affect the obligation of the Servicer to observe any applicable law (including any ~~DPUC~~ PURA Regulation) prohibiting disclosure of information regarding the ~~customers,~~ Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section.

Section 6.09. Appointments.

(a) The Servicer may at any time appoint any Person to perform all or any portion of its obligations as Servicer hereunder; provided, however, that the Rating Agency Condition shall have been satisfied in connection ~~therewith (except that with respect to Moody's it shall be sufficient to provide ten days prior notice);~~ therewith; and, provided, further, that the Servicer shall remain obligated and be liable under this Agreement for the servicing and administering of the Transition Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Transition Property; and, provided, further, however, that nothing herein (including the Rating Agency Condition) shall preclude the ~~execution by the Servicer~~ engagement of ~~a TPS Service Agreement with~~ any ~~TPS pursuant~~ Person to ~~applicable DPUC Regulations.~~ provide lockbox or similar payment processing services. The fees and expenses of any such Person shall be as agreed between the Servicer and such Person from time to time and none of the ~~Note~~ Issuer, the ~~Note~~ Indenture Trustee, the ~~Noteholders~~ Holders or any other Person shall have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a Servicer resignation under Section 6.05.

(b) The ~~Servicer has no employees. Therefore,~~ Servicer, in carrying out the foregoing duties or any of its other obligations under this Agreement, ~~the Servicer~~ may enter into transactions with or otherwise deal with any of its Affiliates to obtain the services ~~of employees~~ of such Affiliates as is its current practice; provided, however, that the terms of any such transactions or dealings shall be no less favorable to the ~~Note~~ Issuer than would be available from unaffiliated parties or that would be available if the Servicer were to hire its own employees to perform such services.

Section 6.10. No Servicer Advances. ~~The~~ Except with regard to Remittances of Estimated RRB Charge Payments, the Servicer shall not make any advances of interest on or principal of the ~~Notes or the Certificates.~~Rate Reduction Bonds.

Section 6.11. Maintenance of Operations. The Servicer agrees to continue to operate its distribution system to provide service to its Customers so long as it is acting as the Servicer under this Agreement.

ARTICLE 7 DEFAULT Section 7.01. Servicer Default. If any one of the following events (each a "Servicer Default") shall occur and be continuing:

(a) any failure by the Servicer to remit to the Collection Account on behalf of the ~~Note~~ Issuer any required Remittance that shall continue unremedied for a period of five (5) Servicer Business Days after written notice of such failure is received by the Servicer from the ~~Note~~ Issuer or the ~~Note Trustee;~~ Indenture Trustee or after discovery of such failure by a Responsible Officer of the Servicer; or (b) any failure on the part of the Servicer, or so long as the Servicer is CL&P or an affiliate thereof, any failure on the part of CL&P, as the case may be, duly to observe or to perform in any material respect any other covenants or agreements of the Servicer or CL&P, as the case may be, set forth in this ~~Agreement,~~ Agreement (other than as provided in Section 7.01(a) or Section 7.01(c)) or any other Basic Document to which it is a party, which failure shall (a) materially and adversely affect the rights of the ~~Noteholders or Certificateholders~~ Holders and (ii) continue unremedied for a period of 60 days after ~~(A)~~ (A) the date on which written notice of such failure, requiring the same to be remedied, shall have been given ~~(A)~~ (I) to the ~~Servicer~~ Servicer, or CL&P, as the case may be, by the ~~Note~~ Issuer or ~~(B)~~ (II) to the ~~Servicer~~ Servicer, or CL&P, as the case may be, by the ~~Note~~ Indenture Trustee or by the Holders of ~~Notes~~ Rate Reduction Bonds evidencing not less than 25 percent of the Outstanding Amount of the ~~Notes;~~ Rate Reduction Bonds or (B) such failure is discovered by a Responsible Officer of the Servicer; or (c) any ~~representation or warranty made~~ failure by the Servicer duly to perform its obligations under Section 4.01(b) in ~~this Agreement shall prove to have been incorrect in any material respect when made,~~ the time and manner set forth therein, which ~~has a material adverse effect on the Noteholders or Certificateholders and which material adverse effect~~ failure continues unremedied for a period of ~~60 days after written notice of such failure is received by the Servicer from the Note Issuer or the Note Trustee;~~five Business Days;

(d) any representation or warranty made by the Servicer in this Agreement or any other Basic Document, to the extent it is a party, shall prove to have been incorrect in any material respect when made, which has a material adverse effect on the Holders and which material adverse effect continues unremedied for a period of 60 days after written notice of such failure is received by the Servicer from the Issuer or the Indenture Trustee; or (e) an Insolvency Event occurs with respect to the Servicer; ~~or (e) an "Event of Termination" under the Seller's Receivables Purchase and Sale Agreement occurs and has not been remedied or waived;~~ then, and in each and every case, so long as the Servicer Default shall not have been remedied, either the ~~Note Trustee,~~ Indenture Trustee (acting at the written direction of the Holders of Rate Reduction Bonds evidencing a majority of the Outstanding Amount of the Rate Reduction Bonds), or the Holders of ~~Notes~~ Rate Reduction Bonds evidencing not less than 25 percent of the Outstanding Amount of the ~~Notes,~~ Rate Reduction Bonds, by notice then given in writing to the Servicer (and to the ~~Note~~ Indenture Trustee if given by the ~~Noteholders)~~ Holders) (a "Termination Notice") may terminate all the rights and obligations (other than the obligations set forth in Section ~~6.02)~~ 6.02 and the obligations under Section

7.02 to continue performing its functions as Servicer until a successor Servicer is appointed) of the Servicer under this Agreement. In addition, upon a Servicer Default described in Section 7.01(a), each of the following shall be entitled to apply to ~~the DPUC~~ PURA for sequestration and payment of revenues arising with respect to the Transition Property in accordance with ~~Sections~~ Conn. Gen. Stat. §§ 16-245k(e) and ~~Section 16-245k(g) of the Statute:~~(g):

(1) the ~~Note Trustee~~ Holders or the ~~Noteholders;~~Indenture Trustee;

(2) the ~~Certificate Trustee~~ Issuer or its assignees; or (3) pledgees or transferees of the ~~Certificateholders;~~Transition Property.

~~(3) the Delaware Trustee;~~

~~(4) the Note Issuer or its assignees; or (5) pledgees or transferees of the Transition Property.~~

On or after the receipt by the Servicer of a Termination Notice, and subject to the approval of ~~the DPUC,~~ PURA, all authority and power of the Servicer under this Agreement, whether with respect to the ~~Notes,~~ Rate Reduction Bonds, the Transition Property, the RRB Charge or otherwise, shall, without further action, pass to and be vested in such successor Servicer as may be appointed under Section 7.02; and, without limitation, the ~~Note~~ Indenture Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as ~~attorney-in-fact~~ attorney-infact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the Transition Property Records and related documents, or otherwise.

The predecessor Servicer shall cooperate with the successor Servicer, the ~~Note~~ Issuer and the ~~Note~~ Indenture Trustee in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the successor Servicer for administration by it of all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the Transition Property or the RRB Charge.

In case a successor Servicer is appointed as a result of a Servicer Default, all reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with transferring the Transition Property Records to the successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this Section shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses.

Termination of CL&P as Servicer shall not terminate CL&P's rights or obligations under the Sale Agreement (except rights thereunder deriving from its rights as the Servicer hereunder).

All other reasonable costs and expenses incurred in transferring servicing responsibilities to a successor servicer shall constitute Operating Expenses of the ~~Note~~ Issuer.

Section 7.02. Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 7.01 or the Servicer's resignation or removal in accordance with the terms of this Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Agreement, and shall be entitled to receive the requisite portion of the Servicing Fee and reimbursement of expenses as provided herein, until a successor Servicer shall have assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's termination hereunder, the Issuer shall appoint, subject to the approval of PURA, a successor Servicer, and the successor Servicer shall accept its appointment by a written assumption. If within 30 days after the delivery of the Termination Notice, the Issuer

shall not have obtained such a new Servicer, the Indenture Trustee (acting at the written direction of the Holders of Rate Reduction Bonds evidencing a majority of the Outstanding Amount of the Rate Reduction Bonds) may appoint (subject to the approval of PURA) or petition PURA or a court of competent jurisdiction to appoint a successor Servicer under this Agreement. A Person shall qualify as a successor Servicer only if (i) such Person is permitted under PURA Regulations to perform the duties of the Servicer, (ii) the Rating Agency Condition shall have been satisfied and (iii) such Person assumes in writing the obligations of the Servicer hereunder or enters into a servicing agreement with the Issuer having substantially the same provisions as this Agreement.

~~In the event of the Servicer's termination hereunder, the Note Issuer shall appoint, subject to the approval of the DPUC, a successor Servicer with the Note Trustee's prior written consent thereto (which consent shall not be unreasonably withheld), and the successor Servicer shall accept its appointment by a written assumption in form reasonably acceptable to the Note Issuer and the Note Trustee.~~

~~If within 30 days after the delivery of the Termination Notice, the Note Issuer shall not have obtained such a new Servicer, the Note Trustee may appoint (subject to the approval of the DPUC) or petition the DPUC or a court of competent jurisdiction to appoint a successor Servicer under this Agreement.~~

~~A Person shall qualify as a successor Servicer only if (i) such Person is permitted under DPUC Regulations to perform the duties of the Servicer, (ii) the Rating Agency Condition shall have been satisfied and (iii) such Person assumes in writing the obligations of the Servicer hereunder or enters into a servicing agreement with the Note Issuer having substantially the same provisions as this Agreement.~~

(b) Upon appointment, the successor Servicer shall be the successor in all respects to the predecessor Servicer and shall be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

Section 7.03. Waiver of Past Defaults. The Holders of ~~Notes~~ Rate Reduction Bonds evidencing not less than a majority of the Outstanding Amount of the ~~Notes~~ Rate Reduction Bonds may, on behalf of all ~~Noteholders,~~ Holders, waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required Remittances to the Collection Account in accordance with this Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

Section 7.04. Notice of Servicer Default. The Servicer shall deliver to the ~~Note~~ Issuer, the ~~Note~~ Indenture Trustee, ~~the Certificate Trustee, the Certificate Issuer, the Finance Authority~~ PURA, and the Rating Agencies, promptly after any of its Responsible Officers having obtained actual knowledge thereof, but in no event later than five Servicer Business Days thereafter, written notice in an ~~Officers'~~ Officer's Certificate of any event which with the giving of notice or lapse of time, or both, would become a Servicer Default under Section ~~7.01(a)~~ 7.01(b) or ~~(b).~~Section 7.01(c).

Section 7.05. ~~Inter-Creditor Agreement. So long~~ Cooperation with Successor. The Servicer covenants and agrees with the Issuer that it will, upon the Servicer's receipt of a Termination Notice pursuant to Section 7.01 or the Servicer's resignation or removal in accordance with the terms of this Agreement, cooperate with the successor Servicer and provide any requested information as is reasonably necessary to assist the ~~Inter-Creditor~~ transition of services under this Agreement ~~remains in effect,~~ and the ~~rights and remedies set forth in this Article 7 shall be subject~~ Basic Documents to ~~the provisions of the Inter-Creditor Agreement.~~any successor Servicer.

ARTICLE 8 MISCELLANEOUS PROVISIONS Section 8.01. Amendment.

(a) This Agreement may be amended in writing by the Servicer and the ~~Note~~ Issuer with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the ~~Note~~ Indenture Trustee (which consent shall ~~not~~ be ~~unreasonably withheld),~~ given in reliance on an Opinion of Counsel and an Officer's Certificate stating that such amendment is permitted or authorized under and adopted in accordance with the provisions of this Agreement, upon which the Indenture Trustee may conclusively rely), but without the consent of any of the ~~Noteholders or any of the Certificateholders (notwithstanding any provision of any other document that would otherwise require such consent as a precondition of Note Trustee consent),~~ Holders, (i) to cure any ambiguity, to correct or supplement any provisions in this Agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Agreement or of modifying in any manner the rights of the ~~Noteholders;~~ Holders; provided, however, that such action shall not, as evidenced by an Officer's Certificate delivered to the ~~Note Issuer,~~ Issuer and the ~~Note Trustee and any Swap Counterparty,~~ Indenture Trustee, adversely affect in any material respect the interests of any ~~Noteholder,~~ Holder or ~~any Certificateholder or adversely affect~~ (ii) to conform the ~~interests~~ provisions hereof to the description of ~~any Swap Counterparty. No amendment may be made to~~ this Agreement ~~that would adversely affect any Swap Counterparty without its prior written consent.~~in the Prospectus.

(b) This Agreement may also be amended in writing from time to time by the Servicer and the ~~Note~~ Issuer with ~~ten Business Days' prior written notice given to~~ the ~~Rating Agencies and the prior~~ written consent of the ~~Note~~ Indenture Trustee ~~(which consent shall not be unreasonably withheld)~~ and with the ~~prior~~ written consent of the Holders of ~~Notes~~ Rate Reduction Bonds evidencing not less than a majority of the Outstanding Amount of the ~~Notes,~~ Rate Reduction Bonds and the satisfaction of the Rating Agency Condition, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the ~~Noteholders; provided, however, that any amendment of the provisions of Sections 4.01 or 4.03 shall satisfy the Rating Agency Condition.~~Holders.

(c) ~~If~~ It shall not be necessary for the ~~written~~ consent of ~~Noteholders is required in connection with an amendment hereof, approval by Noteholders of~~ Holders pursuant to this Section to approve the ~~substance~~ particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall ~~constitute sufficient consent of~~ approve the ~~Noteholders pursuant to this Section, and it shall not be necessary that Noteholders approve of the particular form of any amendment or consent.~~substance thereof.

(d) Promptly after the execution thereof, the ~~Note~~ Issuer shall provide each of the Rating Agencies with a copy of any amendment to this Agreement.

(e) Prior to its consent to any amendment to this Agreement, the ~~Note~~ Indenture Trustee shall be entitled to receive and conclusively rely upon an Officer's Certificate and Opinion of Counsel complying with Section [10.01] of the Indenture and stating that such amendment is authorized or permitted by this Agreement. The ~~Note~~ Indenture Trustee may, but shall not be obligated to, enter into any such amendment which affects the ~~Note~~ Indenture Trustee's own rights, duties or immunities under this Agreement or otherwise.

Section 8.02. Maintenance of Accounts and Records.

(a) The Servicer shall maintain accounts and records as to the Transition Property accurately and in accordance with its standard accounting ~~procedures.~~procedures and in sufficient detail to permit reconciliation between RRB Charges Collections and Deemed RRB Charge Payments.

(b) The Servicer shall permit the ~~Note~~ Issuer and the Indenture Trustee and its agents at any time during normal business hours, upon reasonable notice to the Servicer and to the extent it does not unreasonably interfere with the Servicer's normal operations, to inspect, audit and make copies of and abstracts from the Servicer's records regarding

the Transition Property and the RRB Charge. Nothing in this Section 8.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any ~~DPUC~~ PURA Regulation) prohibiting disclosure of information regarding the ~~customers,~~ Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 8.02(b).

Section 8.03. ~~Notices.~~ Notices 6 . Unless otherwise specifically provided herein, all notices, directions, consents and waivers required under the terms and provisions of this Agreement shall be in ~~English~~ writing and ~~in writing, and any such notice, direction, consent or waiver may be given by United States mail, courier service, facsimile transmission or electronic mail (confirmed by telephone, United States mail or courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such notice, direction, consent or waiver~~ shall be effective (i) upon receipt when ~~delivered,~~ sent through the mails, registered or ~~if mailed, three days after deposit~~ certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (ii) upon receipt when sent by an overnight courier, (iii) on the date personally delivered to an authorized officer of the party to which sent or (iv) on the date transmitted by facsimile or other electronic transmission with a confirmation of receipt in ~~the United States mail with proper postage for ordinary mail prepaid:~~all cases, addressed as follows:

(a) if to the Servicer, to ~~The Connecticut Light and Power Company c/o Northeast Utilities~~ Eversource Energy Service ~~Company if by U.S. Mail: P.O. Box 270 Hartford, CT 06141-0270 if by courier: 107 Selden Street Berlin, CT 06037 Attention: Treasurer Facsimile:~~Company, as agent for CL&P [●]

~~(860) 665-5457 Telephone:~~(b) if to the Issuer, to Eversource Energy Service Company, as agent for [Issuer name] [●]

~~(860) 665-3258 Email: shoopra@nu.com (b)~~ (c) if to the ~~Note Issuer,~~ Indenture Trustee, to ~~CL&P Funding LLC c/o The Connecticut Light and Power Company~~ [●] 6 NTD: Notice details to be confirmed (d) if ~~by U.S. Mail: P.O. Box 270 Hartford, CT 06141-0270 if by courier: 107 Selden Street Berlin, CT 06037 Attention: President Facsimile:~~to the OTT, to [●]

~~(860) 665-5457 Telephone:~~(e) if to Moody's, to [in the case of Moody's, to Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 25th Floor, 7 World Trade Center, 250 Greenwich Street New York, New York 10007, Email: servicerreports@moodys.com (all such notices to be delivered to Moody's in writing by email);]

~~(860) 665-3258 Email: shoopra@nu.com with a copy to: The Connecticut Light and Power Company if by U.S. Mail: P.O. Box 270 Hartford, CT 06141-0270 if by courier: 107 Selden Street Berlin, CT 06037 Attention: Treasurer Facsimile: 860-665-5457 Telephone: 860-665-3258 Email: shoopra@nu.com (c)~~ (f) if to ~~the Note Trustee, S&P,~~ to ~~First Union Trust Company, National Association One Rodney Square 920 King~~ [Standard & Poor's Ratings Group, Inc., Structured Credit Surveillance, 55 Water Street, ~~1st Floor Wilmington, DE 19801-7475 Attention: Corporate Trust Administration Facsimile:~~New York, New York 10041, Telephone:

~~(302) 888-7544 Telephone:~~(212) 438-8991, Email: servicer_reports@spglobal.com (all such notices to be delivered to S&P in writing by email).] or as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

~~(302) 888-7500 (d) if to Moody's, to Moody's Investors Service, Inc. 99 Church Street New York, NY 10007 Attention: ABS Monitoring Department Facsimile:~~

~~(212) 553-0573 Telephone:~~

~~(212) 553-3686 (e) if to S&P, to Standard & Poor's 55 Water Street, 40th Floor New York, NY 10041 Attention: Asset Backed Surveillance Department Facsimile:~~

~~(212) 438-2655 Telephone:~~

~~(212) 438-2000 (f) if to Fitch, to Fitch, Inc. One State Street Plaza New York, NY 10004 Attention: ABS Surveillance Facsimile:~~

~~(212) 514-9879 Telephone:~~

~~(212) 908-0500 Email: surv@fitchratings.com (g) if to the Finance Authority, to Office of the State Treasurer 55 Elm Street Hartford, CT 06103 Attention: Assistant Treasurer - Debt Management Facsimile:~~

~~(860) 702-3127 Telephone:~~

~~(860) 702-3034 (h) if to the Certificate Issuer, to: Connecticut RRB Special Purpose Trust CL&P-1 First Union Trust Company, National Association One Rodney Square 920 King Street, 1st Floor Wilmington, DE 19801-7475 Attention: Corporate Trust Administration Facsimile:~~

~~(302) 888-7544 Telephone:~~

~~(302) 888-7500 (with copies to the Finance Authority at the addresses listed herein) (i) if to any Swap Counterparty, to the address and in the manner set forth in any Swap Agreement (a copy of which will be provided by the Certificate Trustee, upon request); and (j) as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.~~

Section 8.04. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 6.04 and as provided in the provisions of this Agreement concerning the resignation of the Servicer, this Agreement may not be assigned by the Servicer.

Section 8.05. Limitations on Rights of Third Parties. The provisions of this Agreement are solely for the benefit of the Servicer, the ~~Note~~ Issuer, the ~~Noteholders,~~ Holders, the ~~Certificateholders, any Swap Counterparty, the Note~~ Indenture Trustee, the ~~Certificate Trustee,~~ State of Connecticut, the ~~Delaware Trustee,~~ Treasurer of the ~~Finance Authority,~~ State of Connecticut, agencies of the ~~Certificate Issuer~~ State of Connecticut and the other Persons expressly referred to herein and such Persons shall have the right to enforce the relevant provisions of this Agreement, except that the ~~Noteholders, and the Certificateholders and any Swap Counterparty~~ Holders shall be entitled to enforce their rights against the Servicer under this Agreement solely through a cause of action brought for their benefit by the ~~Note Trustee or the Certificate Trustee, as the case may be.~~ Indenture Trustee. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Transition Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 8.06. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.07. Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 8.08. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.09. Governing Law. This Agreement shall be construed in accordance with the substantive laws of the State of Connecticut, without giving effect to its conflict of law or other principles that would cause the application of the laws of another jurisdiction, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 8.10. Assignment to ~~Note~~ Indenture Trustee. The Servicer hereby acknowledges and consents to the collateral assignment or pledge of, or grant of a security interest in, any or all of the ~~Note~~ Issuer's rights and obligations hereunder to the ~~Note~~ Indenture Trustee for the benefit of the holders of the ~~Notes and to the further assignment of the Note Trustee's rights and obligations under the Note Indenture to the Certificate Trustee for the benefit of the holders of the Certificates.~~Rate Reduction Bonds.

Section 8.11. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the ~~Note~~ Indenture, but subject to ~~the DPUC's~~ PURA's right to order the sequestration and payment of revenues arising with respect to the Transition Property notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to the debtor, pledgor or transferor of the Transition Property pursuant to ~~Sections 16- 245k(e)~~ Conn. Gen. Stat. §§ 16-245k(e) and ~~16-245k(g)~~ (g), the Servicer, acting solely in its capacity as a creditor of the ~~Statute, the Servicer~~ Issuer, shall not, prior to the date which is one year and one day after the termination of the ~~Note~~ Indenture with respect to the ~~Note~~ Issuer, petition or otherwise invoke or cause the ~~Note~~ Issuer ~~or the Trust~~ to invoke the process of any court or governmental authority for the purpose of commencing or sustaining ~~a~~ an involuntary case against the ~~Note~~ Issuer ~~or the Trust~~ under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the ~~Note~~ Issuer ~~or the Trust~~ or any substantial part of the property of the ~~Note Issuer or the Trust,~~ Issuer, or ordering the winding up or liquidation of the affairs of the ~~Note Issuer or the Trust. [REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]~~Issuer.

~~IN WITNESS WHEREOF, the parties hereto have caused this Transition Property Servicing Agreement to be duly executed by their respective officers as~~ Section 8.12. Rule 17g-5 Compliance. The Servicer agrees that any notice, report, request for satisfaction of the ~~day and year first above written.~~Rating Agency Condition, document or other information provided by the Servicer to any Rating Agency under this Agreement or any other Basic Document to which it is a party for the purpose of determining the initial credit rating of the Rate Reduction Bonds or undertaking credit rating surveillance of the Rate Reduction Bonds with any Rating Agency, or satisfy the Rating Agency Condition, shall be substantially concurrently posted by the Servicer on a password-protected website.

~~CL&P FUNDING LLC, Note Issuer By: /S/RANDY A.~~Section 8.13. Protections Afforded to the Indenture Trustee. The parties hereto agree that the Indenture Trustee shall be afforded all of the rights, protections, immunities, indemnities and privileges afforded to the Indenture Trustee under the Indenture. [REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

~~SHOOP~~ IN WITNESS WHEREOF, the parties hereto have caused this Servicing Agreement to be duly executed by their respective officers as of the day and year first above written. [●], as Issuer By: Name: ~~Randy A.~~Title: THE CONNECTICUT LIGHT & POWER COMPANY, as Servicer By: Name: Title: S-1 EXHIBIT A CERTIFICATE OF COMPLIANCE The undersigned hereby certifies that he/she is the duly elected and acting [_____] of The Connecticut Light & Power Company, as servicer (the "Servicer") under the Servicing Agreement, dated as of [●] (the "Servicing Agreement"), between the Servicer and [●] (the "Issuer"), and further certifies on behalf of the Servicer that: 1.

~~Shoop Title: President THE CONNECTICUT LIGHT AND POWER COMPANY,~~ In my capacity as [ ] of the Servicer, I am responsible for assessing the Servicer's compliance with the servicing criteria applicable to the Servicer ~~By /S/RANDY A.~~set forth in the Servicing Agreement and Item 1122(d) of Regulation AB; 2.

~~SHOOP Name: Randy A.~~

~~Shoop Title: Treasurer EXHIBIT A CERTIFICATE OF COMPLIANCE The undersigned hereby certifies that he/she is the duly elected and acting [_____] of The Connecticut Light and Power Company, as servicer (the "Servicer") under the Transition Property Servicing Agreement, dated as of March __, 2001 (the "Servicing Agreement"), between the Servicer and CL&P Funding LLC (the "Note Issuer"), and further certifies on behalf of the Servicer that: 1.~~

A review of the activities of the Servicer and of its performance under the Servicing Agreement during the _____ months ended December 31, 20[_] has been made under the supervision of the undersigned pursuant to Item 1122(d) of Regulation AB and Section 3.03 of the Servicing Agreement; and ~~2.~~3.

To the undersigned's knowledge, based on such review, the Servicer has fulfilled all of its material obligations in all material respects under the Servicing Agreement throughout the _____ months ended December 31, 20[_], except as listed on Annex A hereto. 4. [ ], a registered public accounting firm, has issued an attestation report on its assessment of compliance with the applicable servicing criteria as of December 31, 20[ ] and for the _____ months ended December 31, 20[_].

Executed as of this _____ day of _____, 20__ .

~~THE CONNECTICUT LIGHT AND POWER COMPANY, Servicer~~ By: ~~/S/ RANDY A.~~A-1 Name: Title: ANNEX A TO EXHIBIT A LIST OF SERVICER DEFAULTS Nature of Default Status A-2 EXHIBIT B FORM OF ROUTINE TRUE-UP LETTER [Date] [Name] Public Utilities Regulatory Authority 10 Franklin Square New Britain, CT 06051 Re: Financing Order for 2018-2023 Storm Costs dated [●]("Financing Order"), Periodic RRB Charge True-Up Mechanism Advice Filing Dear [name]: Pursuant to the Financing Order for 2018-2023 Storm Costs, issued by the Public Utilities Regulatory Authority on [●] in Docket No. 26-04-04 (the "Financing Order"), The Connecticut Light & Power Company ("CL&P"), as servicer of the Rate Reduction Bonds ("RRBs") and on behalf of the RRB trustee as assignee of [●] (the special purpose entity, or "the SPE"), shall apply for adjustment to the RRB Charges annually and at such additional intervals, if necessary, as may be provided for in the Financing Order.

~~SHOOP Name: RANDY A.~~

~~SHOOP Title: Treasurer ANNEX A TO EXHIBIT A LIST OF SERVICER DEFAULTS Nature of Default Status EXHIBIT B FORM OF ROUTINE TRUE-UP LETTER [date] ADVICE THE STATE OF CONNECTICUT DEPARTMENT OF PUBLIC UTILITY CONTROL (THE "DEPARTMENT") SUBJECT: Periodic RRB Charge True-Up Mechanism Advice Filing Pursuant to DPUC Docket No. 00-05-01 (the "Financing Order"), The Connecticut Light and Power Company ("CL&P"), as servicer of the RRBs or any successor Servicer and on behalf of the RRB Trustee as assignee of the special purpose entity (the "SPE"), shall apply for adjustment to the RRB Charge fifteen days prior to January first of each year and at such additional intervals as may be provided for in the Financing Order.~~

Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

PURPOSE This filing establishes the revised RRB ~~Charge~~ Charges to be assessed and collected from ~~CL&P's customers, whether or not~~ retail users of CL&P's distribution system ~~is being operated by CL&P or a successor distribution company.~~within CL&P's service territory.

The RRB ~~Charge~~ Charges is a usage-based component of the competitive transition assessment charge on each ~~customer's~~ retail user's monthly bill ~~and may include any back-up, maintenance, emergency or other delivery or energy service fee collected~~ until the Total RRB Payment Requirements are discharged in full.

~~The RRB Charge is applied equally~~ In the Financing Order, PURA authorized CL&P to ~~all customers of~~ file Routine True-Up Letters annually and at such additional intervals, if necessary, as may be provided for in the ~~same class in accordance with the method of allocation in effect on July 1, 1998.~~Financing Order.

~~In~~ The purpose of such filings and resulting adjusted RRB Charges is to ensure the ~~Financing Order,~~ timely recovery of revenues sufficient to provide for the ~~Department authorized CL&P to file Routine True-Up Letters fifteen days prior~~ payment of an amount equal to the ~~first day~~ Periodic RRB Payment Requirements for the upcoming period, which may include indemnity obligations of ~~January of each year and at such additional intervals, if necessary, as provided for~~ the SPE in the ~~Financing Order.~~RRB transaction documents for SPE officers and directors, trustee fees and other liabilities of the SPE.

~~CL&P, or a successor Servicer, is authorized to file periodic RRB Charge adjustments to~~ Using the ~~extent necessary to ensure~~ methodology approved by PURA in the ~~timely recovery of revenues sufficient to provide for~~ Financing Order, this filing modifies the ~~payment of an amount equal to the sum of the Periodic RRB Payment Requirement for the upcoming year, which may include indemnity obligations of the SPE~~ variables used in the RRB ~~transaction documents for SPE officers~~ Charge calculation and ~~directors, trustee fees, liabilities of~~ provides the ~~special purpose trust and liabilities to the underwriters related to the underwriting of the RRBs.~~resulting modified RRB Charges.

~~Routine True-Up Letter filings are those where CL&P uses~~ Table 1 shows the ~~methodology approved by~~ revised assumptions for each of the ~~Department~~ variables used in calculating the ~~Financing Order to adjust upward or downward the existing~~ RRB ~~Charge.~~Charges for Customers classes.

~~Using the methodology approved by the Department in the Financing Order, this filing modifies the variables used in the RRB Charge calculation and provides the resulting modified RRB Charge.~~

~~Table I shows the revised assumptions for each of the variables used in calculating the RRB Charge for customers.~~

The assumptions underlying the current RRB Charges were filed in an ~~Issuance~~ Advice Letter, dated ~~March 30, 2001.~~[ ].

~~Table I below shows~~ B-1 TABLE 1 INPUT VALUES FOR RRB CHARGES Forecasted annual kWh sales: Percent of billed amounts expected to be charged-off: Weighted average days sales outstanding: Forecasted ongoing transaction expenses (including any already accrued but unpaid for the ~~current assumptions for each~~ period): Current Excess Funds Subaccount balance: Current Capital Subaccount balance: Initial Capital Subaccount balance: Current RRB outstanding balance: Scheduled RRB outstanding balance at the end of the ~~variables used in the~~ period: Deferred unpaid RRB principal: Accrued but unpaid RRB interest: The adjusted RRB Charge ~~calculation.~~calculated for retail users in each customer rate class in effect at the time of this filing, is as follows: [Rate Class 1] = _____ ¢/kWh; [Rate Class 2] = _____ ¢/kWh; [Rate Class 3] = _____ ¢/kWh; [insert additional rate classes as applicable].

~~TABLE I INPUT VALUES FOR RRB CHARGE Forecasted retail kWh sales for the period:_____ Forecasted percent of customers' billed amounts charged-off:_____ Percent of customers' billed amounts charged-off:_____ Weighted average days sales outstanding:_____ (calculated as follows) Percent of billed amounts collected in current month:_____ Percent of billed amounts collected in second month after billing:_____ Percent of billed amounts collected in third month after billing:_____ Percent of billed amounts collected in fourth month after billing:_____ Percent of billed amounts collected in fifth month after billing:_____ Forecasted ongoing interest and transaction expenses (including any already accrued but unpaid for the period):_____ Current Overcollateralization Subaccount balance:_____ Scheduled Overcollateralization Subaccount balance at the end of the period:_____ Current Capital Subaccount balance:_____ Initial Capital Subaccount balance:_____ Current RRB outstanding balance:_____ Scheduled RRB outstanding balance at the end of the period:_____ Current Reserve Subaccount balance:_____ The adjusted RRB Charge calculated for customers is as follows: _____~~EFFECTIVE DATE In

accordance with the Financing Order, Routine True-Up Letters for annual RRB ~~Charge~~ Charges adjustments shall be filed ~~fifteen days prior to January 1~~ not later than April 15 in each ~~year or more frequently, if necessary,~~ year, with the resulting ~~changes~~ upward or downward adjustments to the RRB Charge to be effective ~~15 days after~~ - absent manifest error in the ~~filing, notwithstanding~~ Routine True-Up Letters - on the ~~fact that adjustments to other components of the CTA will occur simultaneously and may not become effective immediately.~~ensuing May 1.

~~No approval by~~ In accordance with the ~~Department~~ Financing Order, a Routine True-Up Letter shall also be filed not later than October 15 of each year, if the Servicer reasonably determines that an adjustment to the RRB Charges is ~~required.~~necessary to meet the Periodic RRB Payment Requirements for the Remittance Period beginning on [October 1] of such year, with the resulting upward adjustments to the RRB Charges to be effective - absent manifest error in such Routine True-Up Letter - on the ensuing November 1.

In addition, the Financing Order permits (but does not require) the Servicer to file another Routine True-Up Letter not later than the date that is 15 days before the end of any calendar month if it reasonably determines that an adjustment to the RRB Charges is necessary to meet the Periodic RRB Payment Requirements for the then-current Remittance Period, B-2 with the resulting upward adjustments to the RRB Charges to be effective - absent manifest error in such Routine True-Up Letter - on the first day of the ensuing calendar month.

No approval by PURA is required.

Therefore, these RRB Charges shall be effective as of _____.

NOTICE Copies of this filing are being furnished to PURA and the parties on the attached service list.

Notice to the public is hereby given by filing this Routine True-Up Letter with PURA and by keeping this filing open for public inspection at ~~CL&P's corporate headquarters.~~Eversource Energy Service Company's office in Hartford, Connecticut, as agent for CL&P.

~~Enclosures EXHIBIT C FORM OF MONTHLY SERVICER CERTIFICATE Pursuant~~ A copy of this filing is also being furnished simultaneously to ~~Section 4.01(d)(2)~~ the Office of the ~~Transition Property Servicing Agreement, dated~~ State Treasurer, in its capacity as ~~of March 30, 2001 (the "Agreement"), between The Connecticut Light and Power Company, as servicer (the "Servicer") and CL&P Funding LLC, the Servicer does hereby certify as follows: Capitalized terms used herein have their respective meanings as set forth in the Agreement.~~finance authority under Conn.

~~For the Monthly Period: _____ 1.~~Gen.

~~Billings: a) Monthly kWh Consumption: b) Applicable RRB Charge: c) Total RRB Charge Amount Billed this Month: d) Cumulative RRB Charge Amount Billed this Remittance Period: 2.~~Stat. § 16-245e(a)(4), pursuant to the Financing Order.

~~Remittances: a) Total Amount Remitted this Month: b) Cumulative Amount Remitted this Remittance Period: c) "RRB%" (calculated~~ B-3 EXHIBIT C FORM OF MONTHLY SERVICER CERTIFICATE [Date] Pursuant to Section 4.01(d)(2) of the Servicing Agreement, dated as of [●] (the "Agreement"), between The Connecticut Light & Power Company, as servicer (the "Servicer"), and [Issuer], the Servicer does hereby certify as follows: Capitalized terms used herein have their respective meanings as set forth in ~~accordance with Annex II to~~ the ~~Agreement)for this Remittance Period: 3.~~Agreement.

~~Draws on Subaccounts: a) Reserve Subaccount Draw Amount this Month: b) Cumulative Reserve Subaccount Draw Amount this Remittance Period (net of funding): c) Overcollateralization Subaccount Draw Amount this Month: d) Cumulative Overcollateralization Subaccount Draw Amount this Remittance Period (net of funding): e) Capital~~

~~Subaccount Draw Amount this Month: f) Cumulative Capital Subaccount Draw Amount this Remittance Period (net of funding): Executed as of this day of .~~For the Monthly Period: 1.

~~THE CONNECTICUT LIGHT AND POWER COMPANY, Servicer By: /s/ RANDY A.~~Billings: [Resident [Large ial] 7 C&I] a Monthly kWh Consumption b Applicable RRB Charge: c Total RRB Charge Amount Billed this Month d Cumulative RRB Charge Amount Billed this Calendar Year [Small C&I] [Street Lighting] 2.

~~SHOOP Name: RANDY A.~~Remittances: a) b) Total Amount Remitted this Month: Cumulative Amount Remitted this Calendar Year: 3.

~~SHOOP Title: TREASURER EXHIBIT D FORM OF QUARTERLY SERVICER CERTIFICATE Pursuant~~ Draws on Subaccounts: a) b) c) Excess Funds Subaccount Draw Amount this Month: Cumulative Excess Funds Subaccount Draw Amount this Calendar Year: Capital Subaccount Draw Amount this Month: 7 NTD: Applicable customer classes to ~~Section 4.01(d)(3) of the Transition Property Servicing Agreement, dated~~ be revised as ~~of March 30, 2001 (the "Agreement"), between The Connecticut Light and Power Company, as servicer (the "Servicer"), and CL&P Funding LLC, the Servicer does hereby certify, for the current Payment Date (_____ __, 20[ ]) (the "Current Payment Date"), as follows: Capitalized terms used herein have their respective meanings as set forth in the Agreement.~~necessary.

C-1 d) Cumulative Capital Subaccount Draw Amount this Calendar Year: C-2 IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer Certificate as of the date first written above.

THE CONNECTICUT LIGHT & POWER COMPANY, as Servicer By: C-3 Name: Title:

EXHIBIT D FORM OF SEMI-ANNUAL SERVICER CERTIFICATE [Date] Pursuant to Section 4.01(d)(3) of the Servicing Agreement, dated as of [●] (the "Agreement"), between The Connecticut Light & Power Company, as servicer (the "Servicer"), and [Issuer], the Servicer does hereby certify, for the current Payment Date (_____, __ 20[ ]) (the "Current Payment Date"), as follows: Capitalized terms used herein have their respective meanings as set forth in the Agreement.

References herein to certain sections and subsections are references to the respective sections of the Agreement. 1.

RRB Charge Collections and Aggregate Amounts Available for the Current Payment Date: i. ii. iii. iv. v. vi. vii. viii. ix. x. xi. xii. 2.

~~Amount Remitted [Month] [Year] ii.~~

~~Amount Remitted [Month] [Year] iii.~~

~~Amount Remitted [Month] [Year] iv.~~

~~Amount Remitted [Month] [Year] v.~~

~~Amount Remitted [Month] [Year] vi.~~

~~Amount Remitted [Month] [Year] vii.~~

~~Amount Remitted [Month] [Year] viii.~~

~~Amount Remitted [Month] [Year] ix.~~

~~Total Amount Remitted for this Period (sum of i. through viii. above): x.~~

~~Net Earnings on Collection Account: xi.~~

~~Expenses Paid to Date: xii.~~

~~General Subaccount Balance (sum of ix. and x.above minus xi.): xiii.~~

~~Reserve Subaccount Balance xiv.~~

~~Overcollateralization Subaccount Balance xv.~~

~~Capital Subaccount Balance xvi.~~

~~Collection Account Balance (sum of xii.through xv. above): 2.~~

Outstanding Principal Balance as of Prior Payment Date by Tranche: i. ii. iii. iv. 3.

~~Class A-1~~ Amount Remitted [Month] [Year] Amount Remitted [Month] [Year] Amount Remitted [Month] [Year] Amount Remitted [Month] [Year] Amount Remitted [Month] [Year] Amount Remitted [Month] [Year] Total Amount Remitted for this Period (sum of i. through vi. above): Net Earnings on Collection Account (excluding earnings on Capital Subaccount): Excess Funds Subaccount Balance: Capital Subaccount Balance: Expenses Paid to Date: Collection Account Balance (sum of vii. through x. above less xi. above): Tranche [●] 8 Bond Principal Balance ~~Outstanding Note/Certificate: ii.~~Outstanding: Tranche [●] Bond Principal Balance Outstanding: Tranche [●] Bond Principal Balance Outstanding: Total Bond Principal Balance: Required Funding/Payments as of Current Payment Date 8 NTD: Number of bond tranches is for illustrative purposes only.

~~Class A-2~~ D-1 a) Projected Principal ~~Balance Outstanding Note/Certificate:~~ Balances and Payments i. ii. iii. iv.

~~Class A-3~~ Projected Principal Balance ~~Outstanding Note/Certificate:~~ Semi-Annual Principal Due Bond Interest Rate Days in Applicable Period Interest Due Projected Level Funding Required Tranche [●] Bond Tranche [●] Bond Tranche [●] Bond Total Projected Principal Amount: b) Required Interest Payments i. ii. iii. iv. c) Tranche [●] Bond Tranche [●] Bond Tranche [●] Bond Total Required Interest Amount: Projected Subaccount Payments and Levels Subaccount i. ii. 4.

~~Class A-4 Principal Balance Outstanding Note/Certificate: v Class A-5 Principal Balance Outstanding Note/Certificate: vi.~~Capital Subaccount: Total Subaccount Payments and Levels: Allocation of Remittances as of Current Payment Date Pursuant to Section [8.02(d)] of Indenture: a) Semi-Annual Expenses Net Expense Amount (Payable on Current Payment Date) i. ii. iii. iv. v.

Indenture Trustee Fees and Expenses (subject to $[●] cap): Semi-Annual Servicing Fee: Semi-Annual Administration Fee: Operating Expenses: Total ~~Note/Certificate~~ Expenses:] b) Semi-Annual Interest D-2 i. ii. iii. iv. c) Per $1000 of Original Aggregate Principal ~~Balance: 3.~~Amount Per $1000 of Original Aggregate Principal Amount Tranche [●] Bond Tranche [●] Bond Tranche [●] Bond Total Semi-Annual Interest: Semi-Annual Principal i. ii. iii. iv.

~~Required Funding/Payments as~~ Tranche [●] Bond Tranche [●] Bond Tranche [●] Bond Total Semi-Annual Principal: d) Other Payments i. ii. e) Aggregate Payments Pursuant to Section [8.02(e)(i)] of ~~Current Payment Date a) Projected Principal Balances and Payments Projected Quarterly Principal Principal Due~~ Indenture i. 5.

~~Class A-1 Note/Certificate~~ Operating Expenses: Funding of Capital Subaccount (to required amount): To Indenture Trustee: Outstanding Principal Balance and Collection Account Balance as of Current Payment Date (after giving effect to payments to be made on such distribution date): a) Principal Balance Outstanding: i. ii. iii. iv.

~~Class A-2 Note/Certificate~~ Tranche [●] Bond Principal Balance Outstanding: Tranche [●] Bond Principal Balance Outstanding: Tranche [●] Bond Principal Balance Outstanding: Total Bond Principal Balance: b) Collection Account Balances Outstanding: i. ii. iii.

~~Class A-3 Note/Certificate iv.~~Excess Funds Subaccount: Capital Subaccount: Total Subaccount Amount: D-3 6. 7.

~~Class A-4 Note/Certificate v.~~Subaccount Draws as of Current Payment Date (if applicable, pursuant to Section [8.02(e)] of Indenture): i.

~~Class A-5 Note/Certificate vi.~~Excess Funds Subaccount: ii.

~~Total Projected Principal Amount: b) Required Interest Payments Note/Cert Days in Interest Interest Rate Applicable Due i.~~Capital Subaccount: iii.

~~Class A-1 Note/Certificate~~ Total Subaccount Draws: Shortfalls in Interest and Principal Payments as of Current Payment Date (if applicable): a) Semi-Annual Interest Shortfall i. ii. iii. iv.

~~Class A-2 Note/Certificate~~ Tranche [●] Bond Tranche [●] Bond Tranche [●] Bond Total Semi-Annual Interest Shortfall: b) Semi-Annual Principal Shortfall i. ii. iii. iv. 8.

~~Class A-3 Note/Certificate iv.~~Tranche [●] Bond Tranche [●] Bond Tranche [●] Bond Total Semi-Annual Principal Shortfall: Shortfalls in Required Subaccount Levels as of Current Distribution Date: i.

~~Class A-4 Note/Certificate v.~~

~~Class A-5 Note/Certificate vi.~~

~~Total Required Interest Amount: c) Projected Subaccount Payments and Levels Subaccount Projected Level Level Required i.~~

Capital Subaccount ii.

~~Overcollateralization Subaccount: iii.~~Total Subaccount Shortfalls: D-4 IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Semi-Annual Servicer Certificate as of the date first written above.

~~Total Subaccount Payments and Levels: 4.~~THE CONNECTICUT LIGHT & POWER COMPANY, as Servicer By: D-5 Name: Title:

~~Allocation of Remittances as of Current Payment Date~~ EXHIBIT E FORM OF ANNUAL RECONCILIATION WITH THE INDENTURE TRUSTEE Pursuant to Section ~~8.02(d)~~ 4.03(b) of ~~Note Indenture: a) Quarterly Expenses Net Expense Amount (Payable on Current Payment Date) i.~~the Servicing Agreement, dated as of [●], between The Connecticut Light & Power Company, as servicer (the "Servicer"), and [Issuer], the Servicer does hereby certify as follows: For the Reconciliation Period: _____ to _____ 1. Calculation of Remittance Shortfall or Remittance Excess: Total a Billed Revenues b Charge-Offs c Actual Charge-Off % (b/a) d Estimated Charge-Off % e RRB Charges (gross of chargeoff) f Actual RRB Charge Payments ([100% - c] x e) g Estimated RRB Charge Payments ([100% - d] x e) h Remittance Shortfall (f - g, if positive) i Remittance Excess (g - f, if positive) Executed as of this _____ day of _____. THE CONNECTICUT LIGHT & POWER COMPANY, as Servicer E-1 By: Name: Title:

~~Note, Delaware~~ SCHEDULE 4.01(A) Expected Amortization Schedule Outstanding Principal Balance Per Tranche ANNEX I SERVICING PROCEDURES The Servicer agrees to comply with the following servicing procedures: SECTION 1. DEFINITIONS (a) Capitalized terms used herein and ~~Certificate Trustee Fees and Expenses: ii.~~not otherwise defined herein shall have the meanings set forth in the Agreement.

~~Quarterly Servicing Fee: iii.~~

~~Quarterly Administration Fee: iv.~~

~~Operating Expenses (subject to $100,000 cap): v.~~

~~Total Expenses: b) Quarterly Interest Per $1000 of Aggregate Original Principal Amount i.~~

~~Class A-1 Note/Certificate ii.~~

~~Class A-2 Note/Certificate iii.~~

~~Class A-3 Note/Certificate iv.~~

~~Class A-4 Note/Certificate v.~~

~~Class A-5 Note/Certificate vi.~~

~~Total Quarterly Interest: c) Quarterly Principal Per $1000 of Aggregate Original Principal Amount i.~~

~~Class A-1 Note/Certificate ii.~~

~~Class A-2 Note/Certificate iii.~~

~~Class A-3 Note/Certificate iv.~~

~~Class A-4 Note/Certificate v.~~

~~Class A-5 Note/Certificate vi.~~

~~Total Quarterly Principal: d) Other Payments i.~~

~~Operating Expenses (in excess of $100,000): ii.~~

~~Funding of CapitalSubaccount (to required amount): iii.~~

~~Funding of Overcollateralization Subaccount (to required level): iv.~~

~~Deposits to Reserve Subaccount: v.~~

~~Interest earnings on Capital Account Released to Note Issuer: e) Aggregate Payments Pursuant to Section 8.02(d)(i) of Note Indenture i.~~

~~To Note Trustee, Certificate Trustee and Delaware Trustee: ii.~~

~~To Finance Authority and Certificate Issuer: 5.~~

~~Outstanding Principal Balance and Collection Account Balance as of Current Payment Date (after giving effect to payments to be made on such distribution date): a) Principal Balance Outstanding: i.~~

~~Class A-1 Principal Balance Outstanding Note/Certificate: ii.~~

~~Class A-2 Principal Balance Outstanding Note/Certificate: iii.~~

~~Class A-3 Principal Balance Outstanding Note/Certificate: iv.~~

~~Class A-4 Principal Balance Outstanding Note/Certificate: v.~~

~~Class A-5 Principal Balance Outstanding Note/Certificate: vi.~~

~~Total Note/Certificate Principal Balance: b) Collection Account Balances Outstanding: i.~~

~~Capital Subaccount: ii.~~

~~Overcollateralization Subaccount: iii.~~

~~Reserve Subaccount: iv.~~

~~Total Subaccount Amount: 6.~~

~~Subaccount Draws as of Current Payment Date (if applicable, pursuant to Section 8.02(e) of Note Indenture): i.~~

~~Capital Subaccount: ii.~~

~~Overcollateralization Subaccount: iii.~~

~~Reserve Subaccount: iv.~~

~~Total Subaccount Draws: 7.~~

~~Shortfalls in Interest and Principal Payments as of Current Payment Date (if applicable): a) Quarterly Interest Shortfall i.~~

~~Class A-1 Note/Certificate ii.~~

~~Class A-2 Note/Certificate iii.~~

~~Class A-3 Note/Certificate iv.~~

~~Class A-4 Note/Certificate v.~~

~~Class A-5 Note/Certificate vi.~~

~~Total Quarterly Interest Shortfall: b) Quarterly Principal Shortfall i.~~

~~Class A-1 Note/Certificate ii.~~

~~Class A-2 Note/Certificate iii.~~

~~Class A-3 Note/Certificate iv.~~

~~Class A-4 Note/Certificate v.~~

~~Class A-5 Note/Certificate vi.~~

~~Total Quarterly Principal Shortfall: 8.~~

~~Shortfalls in Required Subaccount Levels as of Current Distribution Date: i.~~

~~Capital Subaccount ii.~~

~~Overcollateralization Subaccount: iii.~~

~~Total Subaccount Shortfalls:~~

~~IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Quarterly Servicer Certificate this ___ day of ____, ____.~~

~~THE CONNECTICUT LIGHT AND POWER COMPANY, Servicer By: /s/RANDY A.~~

~~SHOOP Name: RANDY A.~~

~~SHOOP Title: TREASURER SCHEDULE 4.01(a) Expected Amortization Schedule Outstanding Principal Balance Payment Class Class Class Class Class Date A-1 A-2 A-3 A-4 A-5 Closing 224,858,822 255,056,333 292,381,624 287,907,878 378,195,343 9/30/01 181,027,904 255,056,333 292,381,624 287,907,878 378,195,343 12/30/01 145,111,154 255,056,333 292,381,624 287,907,878 378,195,343 3/30/02 112,308,456 255,056,333 292,381,624 287,907,878 378,195,343 6/30/02 87,709,027 255,056,333 292,381,624 287,907,878 378,195,343 9/30/02 58,292,404 255,056,333 292,381,624 287,907,878 378,195,343 12/30/02 32,187,247 255,056,333 292,381,624 287,907,878 378,195,343 3/30/03 0 255,056,333 292,381,624 287,907,878 378,195,343 6/30/03 0 227,732,868 292,381,624 287,907,878 378,195,343 9/30/03 0 195,337,425 292,381,624 287,907,878 378,195,343 12/30/03 0 166,293,780 292,381,624 287,907,878 378,195,343 3/30/04 0 131,792,472 292,381,624 287,907,878 378,195,343 6/30/04 0 102,416,672 292,381,624 287,907,878 378,195,343 9/30/04 0 67,903,967 292,381,624 287,907,878 378,195,343 12/30/04 0 36,747,662 292,381,624 287,907,878 378,195,343 3/30/05 0 0 292,381,624 287,907,878 378,195,343 6/30/05 0 0 260,766,487 287,907,878 378,195,343 9/30/05 0 0 223,906,099 287,907,878 378,195,343 12/30/05 0 0 190,375,878 287,907,878 378,195,343 3/30/06 0 0 151,200,741 287,907,878 378,195,343 6/30/06 0 0 117,159,077 287,907,878 378,195,343 9/30/06 0 0 77,796,006 287,907,878 378,195,343 12/30/06 0 0 41,760,787 287,907,878 378,195,343 3/30/07 0 0 0 287,907,878 378,195,343 6/30/07 0 0 0 251,293,044 378,195,343 9/30/07 0 0 0 209,247,737 378,195,343 12/30/07 0 0 0 170,490,986 378,195,343 3/30/08 0 0 0 125,955,154 378,195,343 6/30/08 0 0 0 86,550,513 378,195,343 9/30/08 0 0 0 41,638,744 378,195,343 12/30/08 0 0 0 0 378,195,343 3/30/09 0 0 0 0 330,702,282 6/30/09 0 0 0 0 288,320,065 9/30/09 0 0 0 0 240,335,496 12/30/09 0 0 0 0 195,586,975 3/30/10 0 0 0 0 144,900,682 6/30/10 0 0 0 0 99,319,619 9/30/10 0 0 0 0 48,054,208 12/30/10 0 0 0 0 0 ANNEX I SERVICING PROCEDURES The Servicer agrees to comply with the following servicing procedures: SECTION 1.~~

~~DEFINITIONS (a) Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement.~~

(b) Whenever used in this Annex I, the following words and phrases shall have the following meanings:

"Billed RRB Charges" means the dollar amounts billed to ~~customers or the Applicable TPS or allocated from special contract customers in accordance with Section 3.01(a)(3) of the Agreement, in each case~~ Customers in respect of the RRB ~~Charge, whether billed to customers or the Applicable TPS by the Servicer or to customers by a TPS pursuant to a TPS Service Agreement.~~Charge.

"Deemed Charge-Off Percent" means the Servicer's actual system wide charge-off percentage.

"Estimated Charge-Off Percent" means the Servicer's good faith estimate of the Deemed Charge-Off Percent.

"Servicer Policies and Practices" means, with respect to the Servicer's duties under this Annex I, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself or others, as in effect from time to time and in accordance with ~~DPUC~~ PURA Regulations. The Servicer shall provide ten days' prior written notice to the Rating Agencies of any amendment to the Servicer Policies and Practices that would adversely affect in any material respect the ~~Noteholders or Certificateholders.~~ Holders. SECTION 2. DATA ACQUISITION (a) Installation and Maintenance of Meters. ~~Except to the extent that a TPS is responsible for such services pursuant to a TPS Service Agreement, the~~ The Servicer shall cause to be installed, replaced and maintained meters in accordance with the Servicer Policies and Practices.

(b) Meter Reading. In accordance with the Servicer Policies and Practices, the Servicer shall obtain usage measurements for each ~~customer;~~ Customer; provided, however, that the Servicer may determine any ~~customer's~~ Customer's usage on the basis of estimates in accordance with applicable ~~DPUC Regulations; and, provided, further, that the Servicer may obtain usage measurements from the Applicable TPS for customers receiving meter reading services from such TPS if the applicable TPS Service Agreement so provides.~~PURA Regulations.

(c) Cost of Metering. The ~~Note~~ Issuer shall not be obligated to pay any costs associated with the metering duties set forth in this Section 2, including the costs of installing, replacing and maintaining meters, nor shall the ~~Note~~ Issuer be entitled to any credit against the Servicing Fee for any cost savings realized by the Servicer ~~or any TPS~~ as a result of new metering and/or billing technologies. SECTION 3. USAGE AND BILL CALCULATION The Servicer shall obtain a calculation of each ~~customer's~~ Customer's usage (which may be based on data obtained from such ~~customer's~~ Customer's meter read or on usage estimates determined in accordance with applicable ~~DPUC~~ PURA Regulations) in accordance with the Servicer Policies and Practices ~~and shall determine therefrom Billed RRB Charges; provided, however, that in the case of customers served by a TPS pursuant to a TPS Service Agreement, the Servicer may obtain usage measurements from the Applicable TPS for customers receiving meter reading services from such TPS if the applicable TPS Service Agreement so provides~~ and shall determine therefrom Billed RRB Charges. SECTION 4. BILLING (a) The Servicer shall implement the RRB Charge as of the Closing Date and shall thereafter bill each ~~customer or the Applicable TPS, or allocate from special contract customers in accordance with Section 3.01(a)(3) of the Agreement, in each case~~ Customer for each ~~customer's~~ Customer's Billed RRB Charges in accordance with the provisions of this Section 4. The Servicer shall determine Billed RRB Charges for each Customer based on the per kWh RRB Charge applicable to the customer rate class to which such Customer belongs, as such allocation may be updated from time to time in accordance with the Financing Order.

(b) Frequency of Bills; Billing Practices. In accordance with the Servicer Policies and Practices, the Servicer shall generate and issue a Bill to each ~~customer, or, in the case of a customer who is being billed by a TPS, to the Applicable TPS, or allocate from special contract customers in accordance with Section 3.01(a)(3) of the Agreement, in each case~~ Customer with respect to such ~~customer's~~ Customer's Billed RRB Charges. In the event that the Servicer makes any material modification to the Servicer Policies and Practices, it shall notify the ~~Note~~ Issuer, the ~~Note Trustee, the Certificate~~ Indenture Trustee and the Rating Agencies as soon as practicable, and in no event later than 60 Servicer Business Days after such modification goes into effect; provided, however, that the Servicer may not make any modification that will materially adversely affect the ~~Certificateholders.~~Holders.

(c) Format.

(i) Each Bill to a ~~customer~~ Customer shall contain ~~or be deemed to contain~~ a ~~CTA~~ competitive transition assessment charge that shall include the RRB Charge owed by such ~~customer~~ Customer for the applicable billing ~~period, subject, in the case of special contract customers, to Section 3.01(a)(3) of the Agreement.~~period.

(ii) Each Bill in which the ~~CTA~~ Competitive Transition Assessment is listed as a line item shall contain a statement (as a footnote) to the effect that all or a portion of the ~~CTA~~ RRB Charge component of the Competitive Transition Assessment is owned by the ~~Note~~ Issuer and not the Seller.

(iii) The Servicer shall conform to such requirements in respect of the format, structure and text of Bills delivered to ~~customers and TPSs~~ Customers as applicable ~~DPUC~~ PURA Regulations shall from time to time prescribe. To the extent that Bill format, structure and text are not prescribed by applicable law or by applicable ~~DPUC~~ PURA Regulations, the Servicer shall, subject to clauses (i) and (ii) of this subsection (c), determine the format, structure and text of all Bills in accordance with its reasonable business judgment, the Servicer Policies and Practices and historical practice.

(d) Delivery. Except as provided in the next sentence, the Servicer shall deliver all Bills to ~~customers~~ Customers (i) by United States mail in such class or classes as are consistent with the Servicer Policies and Practices or (ii) by any other means, whether electronic or otherwise, that the Servicer may from time to time use in accordance with the Servicer Policies and Practices. ~~In the case of customers that have elected to be billed by a TPS, the Servicer shall deliver all Bills to the Applicable TPSs by such means as are mutually agreed upon by the Servicer and the Applicable TPS in the TPS Service Agreement and which are consistent with DPUC Regulations.~~ The Servicer ~~or a TPS, as applicable,~~ shall pay from its own funds all costs of issuance and delivery of all Bills that it renders, including printing and postage costs as the same may increase or decrease from time to time. SECTION 5. CUSTOMER SERVICE FUNCTIONS The Servicer ~~or a TPS to the extent provided in the applicable TPS Service Agreement~~ shall handle all ~~customer~~ Customer inquiries and other ~~customer~~ Customer service matters according to the Servicer Policies and Practices. SECTION 6. COLLECTIONS; PAYMENT PROCESSING; REMITTANCE (a) Collection Efforts, Policies, Procedures.

(i) The Servicer shall collect Billed RRB Charges from ~~customers and TPSs~~ Customers as and when the same become due in accordance with such collection procedures as it follows with respect to comparable assets that it services for itself or others, including the following:

(A) The Servicer shall prepare and deliver overdue notices to ~~customers and TPSs~~ Customers in accordance with applicable ~~DPUC~~ PURA Regulations and the Servicer Policies and Practices.

(B) The Servicer shall deliver past-due and shut-off notices in accordance with applicable ~~DPUC~~ PURA Regulations and the Servicer Policies and Practices.

(C) The Servicer shall adhere to and carry out disconnection policies ~~and termination of billing by a TPS pursuant to a TPS Service Agreement~~ in accordance with ~~Sections 16-262c, 16-262d and 16-262e of~~ Conn. Agencies Regs. § 16-3-100-1(b)(2)(j), the ~~Connecticut General Statutes or successor provisions,~~ Financing Order, applicable ~~DPUC~~ PURA Regulations and the Servicer Policies and Practices.

(D) The Servicer may employ the assistance of collection agents in accordance with applicable ~~DPUC~~ PURA Regulations and the Servicer Policies and Practices.

(E) The Servicer shall apply ~~customer and TPS~~ Customer deposits to the payment of delinquent accounts in accordance with applicable ~~DPUC~~ PURA Regulations and ~~the Servicer Polices and Practices.~~these Servicing Procedures.

~~(F)~~ (ii) The Servicer may write off any amounts that it deems uncollectible according so long as any such write-off (A) would be in accordance with the Servicer Policies and Practices and (B) would comply in all material respects with applicable law. The Servicer shall ~~comply with the provisions of Section 3.01(a)(3) of the Agreement~~ not waive any late payment charge or any other fee or charge relating to ~~special contract customers.~~delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by a Customer, in each case unless such waiver or action:

~~(ii) The Servicer shall not waive any late payment charge or any other fee or charge relating to delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by a customer, in each case unless such waiver or action:~~

(A) would be in accordance with the Servicer Policies and ~~Practices, (B) would not materially adversely affect the Certificateholders~~ Practices and (B) would comply in all material respects with applicable law.

(iii) The Servicer shall accept payment from ~~customers~~ Customers in respect of Billed RRB Charges in such forms and methods and at such times and places in accordance with the Servicer Policies and Practices.~~The Servicer shall~~

~~accept payment from TPSs in respect of Billed RRB Charges in such forms and methods and at such times and places as the Servicer and each TPS shall mutually agree in accordance with the applicable TPS Service Agreement and applicable DPUC Regulations.~~

(b) Payment Processing, Allocation, Priority of Payments. The Servicer shall post all payments received to ~~customer or TPS~~ Customer accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than ~~one~~ two Servicer Business ~~Day~~ Days after receipt. In accordance with Conn. Gen. Stat. § 16-245g(e) and the Financing Order, amounts collected from a Customer shall be allocated on a pro rata basis among (i) the RRB Charge attributable to Rate Reduction Bonds issued pursuant to the Financing Order, (ii) any remaining portion of the Competitive Transition Assessment not the subject of the Financing Order, and (iii) CL&P's other charges. The Servicer shall not, in the allocation of partial collections from any Customer, favor itself or any other payee over the Issuer, as owner of the Transition Property. This pro rata allocation requirement shall apply regardless of the order in which charges appear on a Customer's Bill. In the event that any amount collected from a Customer is less than the full amount billed to such Customer, the Servicer shall allocate such amount among the RRB Charge, any remaining portion of the Competitive Transition Assessment, and CL&P's other charges in proportion to the respective amounts of each such charge included on the Customer's Bill for the applicable billing period.

(c) Investment of RRB Charge ~~Payments Received.~~ Collections. Prior to remittance on the applicable Remittance Date, the Servicer may invest RRB Charge ~~Payments~~ Collections at its own risk and for its own benefit, and such investments and funds shall not be required to be segregated from the other investments and funds of the Servicer. The Servicer shall be entitled to retain as additional compensation any interest earnings on RRB Charge ~~Payments~~ Collections invested by it.

(d) Calculation of Estimated RRB Charge Payments; Remittances. In accordance with Section 4.03(a) of the Agreement, the Servicer shall remit to the ~~Note~~ Indenture Trustee for deposit in the Collection Account an amount equal to the product of the Billed RRB Charges for a particular billing date multiplied by one hundred percent less the Estimated Charge-Off Percent. Such product shall constitute the amount of Estimated RRB Charge Payments. Pursuant to Section 4.03(b) of the Agreement, on or before March 1 of each year, the Servicer shall calculate the amount of Deemed RRB Charge Payments ~~calculated in accordance with~~ by multiplying the ~~methodology described in Annex II attached to~~ Billed RRB Charges by one hundred percent less the ~~Agreement.~~Deemed Charge-Off Percent.

(e) Remittances.

(i) The ~~Note~~ Issuer shall cause to be established the Collection Account in the name of the ~~Note~~ Indenture Trustee in accordance with Section ~~8.02~~ [8.02] of the ~~Note~~ Indenture.

(ii) The Servicer shall make or cause to be made Remittances to the Collection Account in accordance with Section 4.03 of the Agreement.

(iii) Any change of account or change of institution affecting the Collection Account shall not take effect until the ~~Note~~ Issuer has provided at least fifteen (15) Servicer Business Days written notice thereof to the Servicer.~~SECTION 7. TPSs In the event a TPS performs services pursuant to a TPS Service Agreement, the Servicer shall comply with the procedures set forth in Schedule A to this Annex I.~~

~~SCHEDULE A TO ANNEX I Additional Servicing Procedures Applicable~~ (f) Third Party Supplier Collections. In the event that any TPS is authorized pursuant to ~~TPSs 1. Establishing~~ a change in Connecticut law to bill and collect the RRB Charge, the Servicer shall ensure that each such TPS ~~Relationship In addition~~ enters into an agreement with the Servicer (or is otherwise contractually bound) requiring the TPS to ~~any actions~~ comply with all billing,

collection and remittance procedures required by the ~~DPUC or by applicable law, for each TPS that is responsible for collecting Billed RRB Charges,~~ Rating Agencies to maintain the ~~Servicer shall take~~ then-current credit ratings on the ~~following steps:~~Rate Reduction Bonds.

~~(a) Maintain adequate records of the payment arrangement applicable to such TPS;~~

~~(b) Maintain copies of all customer requests to convert to billing by a TPS;~~

~~(c) Verify with the DPUC that each TPS is licensed to supply electricity in Connecticut;~~

~~(d) Obtain information from the TPS including, but not limited to: name, contact, address, telephone facsimile transmission number and internet address;~~

~~(e) Maintain and update records of customers to permit prompt reversion to dual-billing;~~

~~(f) Maintain estimates of one month's maximum RRB Charge Payments for each TPS required to post a bond, letter of credit or cash deposit pursuant to the applicable TPS Service Agreement; and (g) Comply with credit conditions set out in the Financing Order and applicable TPS Service Agreement. 2. Monitoring TPS Obligations (a) The Servicer shall require each TPS to pay all undisputed and all disputed Billed RRB Charges or make a financial arrangement for such payment according to the applicable TPS Service Agreement; and (b) For all TPSs subject to any remittance option where such TPS is liable for all amounts billed in respect of customers served thereby regardless of the amounts received therefrom, the Servicer shall monitor payment compliance and take all actions permitted by the DPUC and the Financing Order in the event of a default in payment. 3. Enforcing TPS Obligations The Servicer shall promptly take all actions specified by the Financing Order with respect to amounts not remitted to the Servicer in accordance with the payment terms specified by the Financing Order, in addition to any other remedies available at law.~~

~~ANNEX II REMITTANCE METHODOLOGY~~

Exhibit C. Florida Public Service Commission Staff Memorandum, Docket No. 060038-EI (May 8, 2006): Selected Financing Order Issues, with Where the Financing Order Decided Each (Excerpt)

Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04
October 20, 2026[1]

In 2006 the Florida Public Service Commission decided Florida Power & Light's petition for a financing order for storm-recovery bonds. It was the nation's first storm-recovery financing order. The case was contested and went to an evidentiary hearing. The utility, the Office of Public Counsel, the Attorney General and other intervenors took positions on each issue. Saber Partners, LLC was the Commission's financial adviser. Joseph S. Fichera of Saber and Rebecca A. Klein, a former Chairman of the Public Utility Commission of Texas and a Saber adviser, testified under oath for the Commission staff.[2]

This exhibit reproduces the staff's posthearing recommendation on the issues that bear on this docket, and shows where the Commission's financing order decided each one.[3]

The table lists each issue in the memorandum's own words, the memorandum pages and the findings of the financing order, Order No. PSC-06-0464-FOF-EI (May 30, 2006).

The memorandum's first page and the listed pages follow, with the staff's page numbers printed on each page.[4]

The order required a competitive solicitation to select the underwriters.[5] The bonds, $652 million, were sold by competitive sale in May 2007.[6]

Issue	Issue as stated in the staff memorandum	Memo pages	Financing order
48	Should FPL indemnify its ratepayers against an increase in the servicer fee in the event of the servicer's default due to negligence, misconduct, or termination for cause?	159–160	Finding 114(c), p. 38
50	What is the appropriate up-front and ongoing fee for the role of servicer throughout the term of the bonds?	161–162	Findings 106, p. 36; 114(b), (e), pp. 38–39
51	How much should FPL be permitted to recover from ratepayers for its role as servicer in this transaction?	163–164	Finding 114(b), p. 38
52	What is the appropriate up-front and ongoing fee for the role of administrator throughout the term of the bonds?	165–166	Finding 107, p. 36

[1] © 2026 Saber Partners, LLC, for the index and this cover page. The memorandum is a public record of the Florida Public Service Commission.

[2] Fla. Public Service Commission, Transcript of Hearing, Docket No. 060038-EI, Vol. 9 (Apr. 21, 2006), pp. 1138–1140 (Mr. Fichera "was called as a witness on behalf of the staff of the Florida Public Service Commission and, having been duly sworn, testified"), https://saberpartners.com/wp-content/uploads/2018/06/060421_Fichera-Q-13-c_Florida_Public_Service_Commission.pdf.

[3] Fla. Public Service Commission, Memorandum (staff recommendation), Docket No. 060038-EI, Petition for issuance of a storm recovery financing order by Florida Power & Light Company (May 8, 2006), Document No. 04068-2006, https://floridapsc.com/library/filings/2006/04068-2006/04068-2006.PDF, pp. 159–170, 175–190, 195–196, 198 and 207–216. Positions of the parties are stated under each issue.

[4] Fla. Public Service Commission, Financing Order, Order No. PSC-06-0464-FOF-EI, Docket No. 060038-EI (May 30, 2006), https://www.floridapsc.com/library/Orders/2006/06-0464.ord.doc.

[5] Fla. Public Service Commission, Financing Order, Order No. PSC-06-0464-FOF-EI, Docket No. 060038-EI (May 30, 2006), Finding of Fact 62, p. 26 (underwriters' services "shall be procured through a competitive solicitation process to achieve lower costs"), https://www.floridapsc.com/library/Orders/2006/06-0464.ord.doc; FPL Recovery Funding LLC, Prospectus Supplement, $652,000,000 Senior Secured Bonds, Series A (to prospectus dated May 17, 2007), https://www.sec.gov/Archives/edgar/data/1396530/000090514807003876/efc7-1376_424b5.txt.

[6] Florida Power & Light Company, Issuance Advice Letter, Fla. Public Service Commission Docket No. 060038-EI (May 16, 2007), Document No. 04054-2007, p. 12 (the "competitive sale of the storm-recovery bonds"), https://www.floridapsc.com/library/filings/2007/04054-2007/04054-2007.PDF.

Issue	Issue as stated in the staff memorandum	Memo pages	Financing order
53	How much should FPL be permitted to recover from ratepayers for its role as administrator in this transaction?	167–168	Finding 116, p. 39
54	STIPULATED: How frequently should FPL in its role as servicer be required to remit funds collected from ratepayers to the SPE?	169	Finding 114(f), p. 39
55	In the event any amounts remain in the Collection Account after all storm recovery bonds have been retired, what should be the disposition of these funds?	169–170	Findings 112–113, pp. 37–38
58	Is FPL's process for determining whether the upfront bond issuance costs satisfy the statutory standard of Section 366.8260(2)(b)5., Florida Statutes, reasonable and should it be approved?	175–176	Findings 60–64, pp. 25–27
59	Is FPL's process for determining whether the on-going costs satisfy the statutory standard of Section 366.8260(2)(b)5. reasonable and should it be approved?	177–178	Findings 67–68, pp. 27–28
60	If the issuance of storm recovery bonds is approved, should the bonds be sold through a negotiated or competitive sale?	179–180	Findings 109–110, pp. 36–37
61	What additional terms, conditions or representations should be made in the financing order to enhance the marketability of the bonds and achieve the lowest possible cost?	181–188	p. 6; Findings 105, p. 36; 124–127, pp. 40–41; 134–135, pp. 42–43
62	Should all legal opinions and other transaction documents and subsequent amendments be filed and approved by the Commission before becoming operative?	189–190	Finding 136, p. 43; ordering paragraphs, p. 58
65	Should the Issuance Advice Letter be approved in substantially the form proposed by FPL?	195–196	Finding 133, p. 42
67	How should the Commission ensure that the structure, marketing, and pricing of the storm recovery bonds result in the lowest possible burden on FPL's ratepayers?	198	Findings 127, p. 41; 136, p. 43
74B	If the Commission votes to issue a financing order, what post-financing order regulatory oversight is appropriate and how should that oversight be implemented?	207–216	Findings 127, p. 41; 135–136, p. 43

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 8, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Maurey, Ballinger, Baxter, Breman, Draper, Haff, Hewitt, Kaproth, Kummer, Kyle, Lee, Lowe, McNulty, McRoy, Marsh, Redemann, Rieger, Romig, Slemkewicz, Springer, Stallcup, Trapp, Willis)
Office of the General Counsel (Keating, Brubaker, Gervasi, Helton)
Division of Regulatory Compliance & Consumer Assistance (Vandiver)

RE: Docket No. 060038-EI – Petition for issuance of a storm recovery financing order, by Florida Power & Light Company.

AGENDA: 05/15/06 – Special Agenda – Posthearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Deason

CRITICAL DATES: May 15, 2006 (120 days after filing of petition)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060038.RCM.DOC

DOCUMENT NUMBER-DATE
04068 MAY-9 06
FPSC-COMMISSION CLERK

Issue 48: Should FPL indemnify its ratepayers against an increase in the servicer fee in the event of the servicer's default due to negligence, misconduct, or termination for cause?

Recommendation: Yes. FPL in its role as servicer has control over any action that could cause an increase in the servicer fee. Therefore, the Commission should require the Company to indemnify ratepayers against an increase in the servicer fee in the event of the servicer's default due to negligence, misconduct, or termination for cause. (Maurey)

Position of the Parties

FPL: No. Under the servicing agreement, FPL commits to service the storm recovery property in material compliance with applicable law and regulations and using the same degree of care and diligence that it exercise with respect to the collection of its other charges.

OPC: Yes. FPL should indemnify ratepayers against an increase in the servicer fee to protect the ratepayers from any potential negligence, misconduct, or termination for cause by FPL as FPL is in the best position to prevent such misconduct by its own actions.

FIPUG: Yes.

FRF: Yes.

AARP: Adopt same position as the Office of Public Counsel.

FEA: Agree with OPC.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis: The proposed form of servicing agreement prohibits FPL from resigning as servicer unless FPL determines that it can no longer legally perform its servicing functions. (TR 136) Witness Dewhurst testified that the basic functions in the servicing arrangement are tightly bound up with the Company's day-to-day operations and that FPL would never intentionally default under the servicing agreement. (TR 136–137) When asked, witness Dewhurst could not provide any examples of why FPL would no longer be able to legally perform the servicer functions. (TR 136)

Staff witness Fichera testified that the proposed servicing agreement is essentially an agreement between affiliated parties with all the liabilities associated with the agreement falling to FPL ratepayers. (TR 1190) Because FPL shareholders do not directly bear the burden of issuance costs, including servicing fees, and because the economic burden of an increase in fees would be recognized through operation of the true-up mechanism, FPL ratepayers would be responsible for any increase in the servicing fee. (Dewhurst TR 1693; Fichera TR 1157) FPL witness Olson acknowledged that if FPL were to default as servicer, the servicing fee could increase from the proposed level of $525,000 a year (annualized amount equal to 0.05 percent of the initial principal amount of the storm recovery bonds) to over $6 million a year (0.6 percent of the initial principal amount) without the need for additional Commission approval. (TR 674)

Witness Fichera testified that commissions in other states have required the sponsoring utility acting as servicer to indemnify its ratepayers against an increase in the servicer fee in the event of default due to negligence, misconduct, or termination for cause. (TR 1157) FPL has suggested that the Commission could instead impose penalties on FPL for defaulting as servicer pursuant to Section 366.8260(15), Florida Statutes. (Dewhurst TR 1707) This provision allows the Commission to impose penalties pursuant to Section 366.095, Florida Statutes, or such other penalties as the Commission deems appropriate. Section 366.095, Florida Statutes, only authorizes the Commission to penalize a utility up to $5,000 per occurrence for a violation of a statute or Commission rule or order. A fine of $5,000 would be insufficient to compensate ratepayers for bearing up to $5.5 million in additional annual costs due to default. (Fichera TR 1213; Dewhurst TR 1707; EXH 4, p. 267) Further, imposition of any penalty would likely require an adversarial proceeding.

In conclusion, requiring FPL to indemnify its ratepayers for any increase in the servicer fee caused by FPL's default properly puts the burden of the cost of default on the party whose actions would lead to default, rather than place the burden on the Commission to pursue through an adversarial proceeding penalties that may not sufficiently protect ratepayers. Therefore, the Commission should require the Company to indemnify ratepayers against an increase in the servicer fee in the event of the servicer's default due to negligence, misconduct, or termination for cause.

Issue 49: WITHDRAWN

Issue 50: What is the appropriate up-front and ongoing fee for the role of servicer throughout the term of the bonds?

Recommendation: The appropriate up-front servicer set-up fee is $350,000. The appropriate ongoing servicer fee is 0.05 percent of the initial principal amount of the bonds. Based on the amount of storm recovery bonds FPL has proposed be issued, this fee would be $525,000 per year. These fees are necessary to ensure an "arms-length" transaction for bankruptcy law considerations. (Springer, Slemkewicz)

Position of the Parties

FPL: To obtain the requisite bankruptcy opinions, FPL must be paid an amount that is deemed to cover its actual costs. FPL as the initial servicer should be paid its upfront costs incurred to make necessary system modifications to enable FPL to bill and collect the Storm Charges and an annualized amount equal to 0.05% of the initial principal amount of the storm-recovery bonds for the ongoing cost of servicing the bonds. This rate is at the lower end of a range of such fees that have been approved in other utility securitizations, and attempting to track actual costs likely would not be cost effective.

OPC: The appropriate up-front and ongoing fee for FPL's role as the servicer throughout the term of the bond is the incremental cost to FPL for performing the servicer duties. The difference between the servicing fee necessary to create an arms-length transaction and FPL's approved incremental costs should be used to increase the storm reserve available for recovery of future storm costs.

FIPUG: Adopts the position of OPC.

FRF: Agree with OPC.

AARP: The same as the Office of Public Counsel.

FEA: Agree with OPC.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis:

PARTIES' ARGUMENTS

FPL's form of servicing agreement provides up-front and ongoing fees for FPL's role as servicer in the amount of $350,000 and 0.05 percent ($525,000), respectively. The intervenors concur that those amounts are appropriate to create an arms-length transaction, but assert that the difference between these amounts and the incremental cost of providing the services required by the agreement should be used to increase the storm reserve. Staff's recommendation regarding the intervenors' latter point is discussed in Issue 51.

ANALYSIS

The servicer calculates, bills, and collects storm recovery charges for the respective storm-recovery bonds on behalf of the Special Purpose Entity (SPE) and remits them to the bondholders' trustee. (Fichera TR 1155) Additionally, the servicer prepares, files, and processes the periodic Storm Bond Repayment Charge true-up adjustments. (Olson TR 673) These related duties are designed to ensure that collections are sufficient to timely satisfy the payment of principal and interest on the bonds as well as other ongoing costs. (Dewhurst TR 75; Fichera TR 1155) Periodically, the servicer will prepare reports detailing the results of remitting the collections to the trustee for deposit into the collection account. (Olson TR 673)

It is important for the servicer to be adequately compensated for the services it provides to create an "arms-length" relationship between FPL and the SPE. (Fichera TR 1155; Olson TR 674) This type of arrangement is a requirement of bankruptcy law to preserve the integrity of the bankruptcy-remote structure of the SPE and thus ensure the high credit quality of the bonds. (Fichera TR 1155; Olson TR 674) An upfront servicer set-up fee of $350,000 and the ongoing servicer fee of 0.05 percent ($525,000 annually) of the principal amount of the storm recovery bonds are the fees proposed by FPL for its role as servicer. (EXH 8) No party disagrees that FPL should be allowed to collect a servicing fee that is necessary to establish an arms-length transaction. (FPL BR at 131; FRF BR at 69; OPC BR at 85)

CONCLUSION

Staff recommends that the appropriate up-front and ongoing fees for FPL's role as servicer in the amount of $350,000 and 0.05 percent of the principal amount of the storm recovery bonds, respectively. These fees were set to ensure an arms length transaction for bankruptcy law considerations between FPL and the SPE. The amounts FPL should be permitted to receive from ratepayers for its role as servicer are discussed in Issue 51.

Issue 51: How much should FPL be permitted to recover from ratepayers for its role as servicer in this transaction?

Recommendation: FPL should be permitted to collect the servicer set-up and on-going servicing fees that are necessary to establish an arms-length transaction for purpose of creating an independent SPE as discussed in Issue 50. FPL should be allowed to recover the $350,000 servicer set-up fee it estimates would be necessary to adapt its existing systems to bill, collect, and process the storm charge and set up the reporting function. However, with respect to the on-going servicing fee, FPL should be allowed to keep only its incremental costs for performing the servicing function. Because FPL has not justified the $525,000 annual fee it proposes to collect and because the activities appear to be extremely closely related to activities the Company already performs in the normal course of its operations, staff recommends the annual fee of 0.05 percent of the initial principal amount of the storm recovery bonds be used to increase the storm reserve available for recovery of future storm costs. (Maurey)

Position of the Parties

FPL: To obtain the requisite bankruptcy opinions, FPL must be paid an amount that is deemed to cover its actual costs. FPL should recover the up-front costs to bill and collect the Storm Charges and annual fees paid by the SPE under the servicing agreement. Separate tracking and identification of such costs is not likely to be cost effective; however, if FPL is required to do so, any excesses or deficiencies should be credited to or withdrawn from the Reserve.

OPC: FPL should be permitted to collect from ratepayers the servicing fee that is necessary to establish an arms-length transaction for purpose of creating an independent SPE. However, FPL should be allowed to keep only its approved incremental costs for servicing the bonds. The difference between the servicing fee necessary to create an arms-length transaction and any approved incremental costs should be used to increase the storm reserve available for recovery of future storm costs.

FIPUG: Adopts the position of OPC.

FRF: Agree with OPC.

AARP: The same as the Office of Public Counsel.

FEA: Agree with OPC.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis: Staff incorporates by reference the discussion under Issue 50 for a description of the servicer function and an explanation of why it is important to set the related fee at a level necessary to establish an arms-length transaction for bankruptcy law considerations. (Fichera TR 1155; Olson TR 674; EXH 4, p. 252) FPL witness Dewhurst testified that the activities of billing the customer, collecting the storm charge from the customer, accounting for the collections accurately, and making sure the funds are remitted to the SPE are "very tightly bound

up" with the Company's day-to-day operations. (TR 115–119, 136–137) He also testified that FPL did not provide any analysis or support for the incremental cost of performing the servicer function. (TR 116–117) Finally, FPL witness Davis acknowledged that many of the activities involved in developing the storm charge and performing the servicer function are already done by FPL in the normal course of its operations. (TR 589–590; EXH 4, pp. 258, 264–266)

FPL provided support for the $350,000 it estimates would be necessary to adapt its existing systems to bill, collect, and process the charge and set up the reporting function. (EXH 171, pp. 20-25; EXH 4, pp. 248–249) However, because FPL has not justified the $525,000 annual fee it proposes to collect from ratepayers for performing the servicer function and because the servicer activities appear to be extremely closely related to activities the Company already performs in the normal course of its operations, staff recommends the annual fee of 0.05 percent of the initial principal amount of the storm recovery bonds be used to increase the storm reserve available for recovery of future storm costs.

Issue 52: What is the appropriate up-front and ongoing fee for the role of administrator throughout the term of the bonds?

Recommendation: The appropriate up-front and ongoing fee for the role of administrator should be $125,000 per year. This fee in necessary to ensure an "arms-length" transaction for bankruptcy law considerations. (Springer, Slemkewicz)

Position of the Parties

FPL: To obtain the requisite bankruptcy opinions, FPL must be paid an amount that is deemed to cover its actual costs. FPL as Administrator should be paid the actual costs incurred to set up the SPE from bond proceeds and an annual fee of $125,000 plus expenses to perform the administrative functions necessary to maintain the SPE. This amount is comparable to the administration fees paid in similar transactions. Attempting to track actual costs likely would not be cost effective.

OPC: The appropriate up-front and ongoing fee for FPL's role as the administrator throughout the term of the bond is the incremental costs to FPL for performing the administrator duties. The difference between the administration fee necessary to create an arms-length transaction and FPL's incremental costs should be used to increase the storm reserve available for recovery of future storm costs.

FIPUG: Adopts the position of OPC.

FRF: Agree with OPC.

AARP: The same as the Office of Public Counsel.

FEA: Agree with OPC.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis:

PARTIES' ARGUMENTS

FPL's form of administration agreement provides for an ongoing fee for FPL's role as administrator in the amount of $125,000 plus expenses on an annual basis. The intervenors concur that this amount is appropriate to create an arms-length transaction, but assert that the difference between the requested amount and the incremental cost of performing administrator duties should be used to increase the storm reserve.

ANALYSIS

FPL, in its role as administrator, establishes the SPE and performs the administrative duties necessary to maintain the SPE. (FPL BR at 133; Olson TR 674; OPC BR at 87) FPL estimates that the up-front costs to establish the SPE will be $15,000, but is willing to be reimbursed for the actual costs incurred subject to Commission review subsequent to the

financing. (FPL BR at 133; EXH 8) However, FPL believes that the appropriate up-front and ongoing fee for the role of administrator is $125,000 per year. (FPL BR at 133) Similar to the Servicing Agreement, bankruptcy law considerations require that the administration agreement reflect an arms-length transaction to ensure that the SPE is a bankruptcy remote entity. (Olson TR 674; FPL BR at 133) OPC has proposed that the administrator fee should be fixed at $125,000 with no future increase of this amount through the true-up mechanism. (OPC BR at 87) All parties agree that FPL should be allowed to collect an administration fee of $125,000 annually to allow for an arms-length transaction between FPL and SPE. (FPL BR at 133; FRF BR at 69; OPC BR at 87)

CONCLUSION

Staff recommends that the appropriate ongoing fee for the role of administrator should be $125,000 per year. The amount FPL should be permitted to receive from ratepayers for its role as administrator is discussed in Issue 53.

Issue 53: How much should FPL be permitted to recover from ratepayers for its role as administrator in this transaction?

Recommendation: FPL should be permitted to collect the administration fee necessary to establish an arms-length transaction for purposes of creating an independent SPE as discussed in Issue 52. However, FPL should be allowed to keep only its incremental costs for performing the administration function. Since FPL has not provided or supported any incremental costs of performing this function, the full amount of the proposed $125,000 annual administration fee should be used to increase the storm reserve available for recovery of future storm costs. (Maurey)

Position of the Parties

FPL: To obtain the requisite bankruptcy opinions, FPL must be paid an amount that is deemed to cover its actual costs. FPL should recover up-front costs incurred to establish the SPE and the annual fees paid by the SPE under the administration agreement. Separate tracking and identification for these expenses is not likely to be cost effective. If FPL is required to separately identify and track actual costs, any excesses or deficiencies should be credited to or withdrawn from the Reserve.

OPC: FPL should be permitted to collect from ratepayers the administration fee that is necessary to establish an arms-length transaction for purpose of creating an independent SPE. However, FPL should be allowed to keep only its approved incremental costs for administering the bonds. The difference between the administration fee necessary to create an arms-length transaction and approved incremental costs should be used to increase the storm reserve available for recovery of future storm costs.

FIPUG: Adopts the position of OPC.

FRF: Agree with OPC.

AARP: The same as the Office of Public Counsel.

FEA: Agree with OPC.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis: Staff incorporates by reference the discussion under Issue 52 for a description of the administration function and an explanation of why it is important to set the related fee at a level necessary to establish an arms-length transaction for bankruptcy law considerations.

FPL proposes an annual fee of $125,000 for performing certain activities under the administration agreement. (EXH 8) FPL has not provided or justified any incremental costs it will incur for performing this function. (EXH 171, pp. 20–25; EXH 4, pp. 256–258, 265) In its brief, OPC argues "since FPL has not supported its incremental costs by the time of the hearing where those costs would be subject to examination, the full amount of the administration fee should be used to increase the storm reserve available for recovery of future storm costs." (OPC

BR at 89) Staff agrees with OPC on this point and recommends the Commission order FPL to pay the $125,000 annual administration fee into the storm damage reserve.

Issue 54: STIPULATED: How frequently should FPL in its role as servicer be required to remit funds collected from ratepayers to the SPE?

Recommendation: As reflected in the Prehearing Order, the parties Stipulated to the following position on this issue: "FPL will remit funds deemed collected from customers to the SPE on a daily basis, pursuant to the terms of an agreement between FPL and the SPE. Any earnings on funds transferred will be used to reduce future charges." Staff recommends approval of this Stipulation.

Staff Analysis: As reflected in the Prehearing Order, the parties Stipulated to the following position on this issue: "FPL will remit funds deemed collected from customers to the SPE on a daily basis, pursuant to the terms of an agreement between FPL and the SPE. Any earnings on funds transferred will be used to reduce future charges." Staff recommends approval of this Stipulation.

Issue 55: In the event any amounts remain in the Collection Account after all storm recovery bonds have been retired, what should be the disposition of these funds?

Recommendation: Any amounts remaining in the Collection Account, and any additional storm recovery charges that have been incurred but not yet collected and deposited to the Collection Account, after all storm recovery bonds have been retired should be credited to current consumers' bills in the same manner that the storm charges were collected. However, if it is not cost effective to credit the remaining amount, the residual amount could either be applied to the storm reserve or returned to customers through a credit to the capacity clause. (Springer)

Position of the Parties

FPL: Upon repayment in full of the Storm Bonds and all related financing costs, any remaining amounts held by the SPE (exclusive of the amounts in the capital subaccount, representing the equity contribution, and any interest earnings thereon) should be remitted to FPL and added to the Reserve if the amount is insignificant and the process of applying a credit to customer rates is not cost effective due to customer billing program changes.

OPC: The amounts should be reflected as a credit on each customer's bill as a refund allocated among customer classes in the same manner that the storm charges were collected.

FIPUG: The funds should be added to the storm reserve or refunded to FPL's customers.

FRF: Agree with OPC.

AARP: The same as the Office of Public Counsel.

FEA: Agree with FIPUG.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis:

PARTIES' ARGUMENTS

FPL requests that any amounts remaining in the collection account after all bonds have been retired be added to the storm reserve if the amounts are insignificant and to the point that crediting consumers' bills would not be cost effective due to customer billing program changes. (FPL BR at 134–135) The AG, AARP, and FRF agree with OPC that the remaining amounts should be reflected as a credit on each customer's bill allocated in the same manner the charges were collected. (OPC BR at 90) FEA agrees with FIPUG that the funds should be added to the storm reserve or refunded to FPL's customers. (FIPUG BR at 15)

ANALYSIS

FPL proposes that upon payment in full of the storm bonds and all related financing costs, if there are any remaining amounts held by the SPE (exclusive of the amounts in the capital subaccount, representing FPL's equity contribution, and any interest earning thereon) FPL will remit a like amount to the Reserve, or in the alternative, will allow a like amount to be applied as a credit to customer rates. (Davis TR 459) FPL proposes that any amount above $10 million should be applied as a credit to customer rates if it is cost effective to do so, but that any amount below this threshold be added to the Reserve. (FPL BR at 134) OPC has proposed that any remaining amounts should be applied as a credit to each customer bill as a refund allocated among customer classes in the same manner that the storm charges were collected. (OPC BR at 90) It has been an accepted practice in other states to return excess revenues to consumers. This is consistent with a "best practice" to establish procedures that ensure all savings flow to ratepayers. (TR 1186) Staff believes this same treatment should apply to any additional storm recovery charges that have been incurred but not yet collected and deposited to the Collection Account as of the date when all storm recovery bonds have been retired. This can be accomplished by requiring the Collection Account be kept in place until all storm recovery charges have been collected.

CONCLUSION

Staff recommends that any amounts remaining in the Collection Account after all storm recovery bonds have been retired should be applied as a credit to each current customer in the same manner that the storm charges were collected. However, if it is not cost effective to credit the remaining amount, the residual amount could either be applied to the storm reserve or returned to customers through a credit to the capacity clause. This determination will be made when the bonds are retired and the amount is known. In addition, staff recommends the Collection Account be kept in place until all storm recovery charges have been collected.

Issue 58: Is FPL's process for determining whether the upfront bond issuance costs satisfy the statutory standard of Section 366.8260(2)(b)5., Florida Statutes, reasonable and should it be approved?

Recommendation: No. The Commission should not predetermine that upfront bond issuance costs resulting from a competitive solicitation, or within a certain range of estimates, meets the statutory standard of Section 366.8260(2)(b)5., Florida Statutes. Accordingly, FPL's proposed process should not be approved. (Maurey)

Position of the Parties

FPL: Yes, for the reasons explained with respect to Issue 56 above.

OPC: No. The process outlined by FPL in its petition, proposed order, and testimony, does not allow the active participation of the Commission. FPL's process does not afford independent protection for the ratepayers to ensure that the up-front costs, on-going costs, and interest rates achieve the lowest overall cost based on real time market conditions. Therefore, FPL's proposed process is not reasonable and should not be approved.

FIPUG: Adopts the position of OPC.

FRF: No. Because the process proposed by FPL in its filings does not provide for the active participation of the Commission, FPL's process does not afford adequate, independent protection for its customers with regard to up-front costs, issuance costs, ongoing costs, and interest rates. Accordingly, FPL's proposed process should not be approved.

AARP: The same as the Office of Public Counsel.

FEA: Agree with OPC.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis: The proposed process for determining whether the estimated upfront bond issuance costs satisfy the statutory standard articulated in FPL's position in Issue 56 is not reasonable and should not be approved. Contrary to FPL's position, a standard of documented expenditures falling within a range of estimates is not the standard articulated in Section 366.8260(2)(b)5., Florida Statutes. Moreover, a predetermination of reasonableness by the Commission would not provide the appropriate incentive to FPL to attain the lowest upfront bond issuance costs. (Fichera TR 1199–1202, 1205–1207, 1213–1215)

The Commission should not predetermine that upfront bond issuance costs resulting from a competitive solicitation, or within a certain range of estimates, meet the "lowest cost" standard of Section 366.8260(2)(b)5., Florida Statutes. Whether a competitive solicitation results in the lowest cost depends on how the solicitation is conducted and how negotiations that result from the solicitation are conducted. (Fichera TR 1175–1180) That determination can best be made through active oversight of the proposed transaction as discussed in Issue 74B. (Klein TR 1233–

1236; Noel TR 1120–1123; Fichera TR 1185–1190; Olson TR 1480–1482) In addition, as discussed in more detail in Issue 65, FPL should be required to demonstrate in the issuance advice letter that its competitive solicitation and negotiation process resulted in a package of fees and services that will result in the lowest cost consistent with prevailing market conditions and the terms of the financing order.

In conclusion, there is no statutory standard or requirement the Commission predetermine that FPL's upfront issuance costs resulting from a competitive solicitation, or within a certain range of estimates, are reasonable. Accordingly, FPL's proposed process for seeking Commission approval of its estimated upfront bond issuance costs is unnecessary and should not be approved.

Issue 59: Is FPL's process for determining whether the on-going costs satisfy the statutory standard of Section 366.8260(2)(b)5. reasonable and should it be approved?

Recommendation: No. FPL's proposed process for determining whether the estimated on-going costs associated with the issuance of the storm recovery bonds satisfy the statutory standard is inconsistent with the express language of Section 366.8260(2)(b)5., Florida Statutes, and should not be approved. (Maurey)

Position of the Parties

FPL: While the standard set in Section 366.8260(2)(b)5 does not apply to ongoing costs, FPL's testimony and exhibits provide support for the conclusion that FPL's estimated ongoing financing costs will be reasonable, and that they are consistent with similar rate reduction bond transactions.

OPC: No. The process outlined by FPL in its petition, proposed order, and testimony, does not allow the active participation of the Commission. FPL's process does not afford independent protection for the ratepayers to ensure the up-front costs, on-going costs, and interest rates achieve the lowest overall cost based on real time market conditions. Therefore, FPL's proposed process is not reasonable and should not be approved.

FIPUG: Adopts the position of OPC.

FRF: No. Because the process proposed by FPL in its filings does not provide for the active participation of the Commission, FPL's process does not afford adequate, independent protection for its customers with regard to up-front costs, issuance costs, ongoing costs, and interest rates. Accordingly, FPL's proposed process should not be approved.

AARP: The same as the Office of Public Counsel.

FEA: Agree with OPC.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis: As discussed in Issues 56, 57, and 58, Section 366.8260(2)(b)5., Florida Statutes, explains the statutory requirement regarding Commission review of "the actual costs of the storm recovery bond issuance." This Section of the statute draws no distinction between upfront costs and on-going costs associated with the issuance of the storm recovery bonds. Moreover, there is no statutory standard requiring the Commission to pre-approve the estimated on-going costs associated with the issuance of the storm recovery bonds as requested by FPL. Approximately 75% of the estimated on-going fees are comprised of the servicing fee (discussed in Issue 50) and the administration fee (discussed in Issue 52). (EXH 8; EXH 171, pp. 40–43)

A determination by the Commission whether on-going costs associated with the issuance of the storm recovery bonds are reasonable can best be made through active oversight of the proposed transaction as discussed in Issue 74B. (Klein TR 1233–1236; Noel TR 1120–1123;

Fichera TR 1185–1190; Olson TR 1480–1482) The statutory requirement is for Commission review of actual costs, not for Commission approval of estimated costs. Since there is no statutory standard or requirement that the Commission predetermine that FPL's estimated on-going costs associated with the storm recovery bonds are reasonable, FPL's proposed process for seeking Commission approval of these costs is unnecessary and should not be approved.

Issue 60: If the issuance of storm recovery bonds is approved, should the bonds be sold through a negotiated or competitive sale?

Recommendation: It is premature for the Commission to make this decision at this time. Both methods for the sale of storm recovery bonds should be considered to determine the most cost effective means of issuing the bonds based on prevailing market conditions near the time of issuance. However, based on the particular characteristics of these types of bonds and the method that has been used in previous transactions, both FPL and the Commission's financial advisor believe a negotiated sale will likely be preferable. (Springer)

Position of the Parties

FPL: Normally an assessment of whether bonds should be sold through a competitive bidding process or a negotiated sale would be made near the time of issuance based on factors such as issue size, complexity of issue, and current market conditions. Given the size of this offering, the risk premium that underwriters would require in a competitive bidding process would likely be greater than the underwriting fee in a negotiated sale. Therefore, a negotiated sale likely is preferable under the circumstances.

OPC: The methodology that is employed should be that which produces the lowest overall cost based on real time market conditions.

FIPUG: Adopts the position of OPC.

FRF: The sale method that produces the lowest overall cost based on real-time market conditions should be the method that is used to determine allowable costs. If the Commission allows FPL the discretion, after the Commission issues its order in this case, to decide which sale mechanism to use, then any such decisions by FPL must be subject to further prudency review, in subsequent proceedings in which all substantially affected parties have a point of entry.

AARP: No position at this time.

FEA: Agree with FIPUG.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis:

PARTIES' ARGUMENTS

FPL proposes that a negotiated sale is preferable based on the fee for a higher risk premium that underwriters would require for a competitive sale compared to a lower underwriting fee for a negotiated sale. However, FPL proposes that this decision be made near the time of issuance based on factors such as issue size, complexity of issue, and current market conditions. The intervenors posit that the methodology employed should be that which produces the lowest overall cost based on real time market conditions. FRF proposes that if the

Commission grants FPL the flexibility to choose the methodology, that FPL should be subject to a prudency review in which all affected parties have a point of entry.

ANALYSIS

FPL Witness Dewhurst testified that "the decision as to which method may be preferable is dependent on factors such as issue size, complexity of issue, and current market conditions, some of which are not known with certainty." (TR 76) FPL asserts that, given the size of this offering, underwriters would likely require a higher risk premium for a competitive sale as compared to the fee for a negotiated sale, thus a negotiated sale would be preferable. (FPL BR at 138) OPC states that the parties should be given some flexibility to choose the methodology that will result in the lowest overall costs to ratepayers based on market conditions, but that this flexibility is predicated on the Commission adopting the "best practices" standard and being active in the transaction. (OPC BR at 99) In his testimony, witness Noel states that all options should be evaluated, but that this issue should probably be sold through a negotiated offering. (TR 1117-1118) This is based on witness Noel's evaluation that investor education is needed to inform investors of the unique characteristics of Florida's first securitization issuance, the first issuance of storm recovery bonds, the effectiveness of the state's pledge of safety, and the applicability of the true-up mechanism. (TR 1118)

CONCLUSION

Staff believes it is premature for the Commission to decide the manner in which the storm recovery bonds should be sold. Staff recommends both methods, competitive or negotiated sale, should be considered to determine the most cost effective means of issuing the bonds based on prevailing market conditions.

Issue 61: What additional terms, conditions or representations should be made in the financing order to enhance the marketability of the bonds and achieve the lowest possible cost?

Recommendation: The financing order should include ordering paragraphs, findings of fact, and conclusions of law that will give appropriate comfort to investors about the high quality of storm recovery bonds as a potential investment. Examples include:

1. A finding that the Commission anticipates stress case analyses will show that the broad nature of the State pledge under Section 366.8260(11), Florida Statutes, and the automatic true-up mechanism under Section 366.8260(2)(b)2.e. and 4., Florida Statutes, will serve to effectively eliminate for all practical purposes and circumstances all credit risk associated with the storm recovery bonds;

2. A finding and an ordering paragraph directing that the automatic true-up mechanism is to be applied at least semi-annually, as discussed in Issue 83;

3. A finding and an ordering paragraph that the automatic true-up mechanism will be implemented within 60-days after a filing by the servicer, as discussed in Issue 82;

4. A finding and conclusion of law that the broad nature of the State pledge under Section 366.8260(11), Florida Statutes, and the automatic true-up mechanism under Section 366.8260(2)(b)2.e. and 4., Florida Statutes, constitute a guarantee of regulatory action for the benefit of investors in storm recovery bonds;

5. A conclusion of law that any interest rate swap counterparty is to be treated as a "financing party" for purposes of Section 366.8260(1)(g), Florida Statutes;

6. A conclusion of law that storm recovery property is not a receivable under Section 366.8260(5)(a)1., Florida Statutes;

7. An ordering paragraph directing that partial payments shall be allocated first to storm recovery charges, including past due storm recovery payments;

8. A conclusion of law that the Commission's obligation under the financing order relating to storm recovery bonds, including the specific actions the Commission guarantees to take, are direct, explicit, irrevocable, and unconditional upon the issuance of storm recovery bonds, and are legally enforceable against the Commission, a United States public sector entity; and

9. A conclusion of law and an ordering paragraph that the financing order is irrevocable under Section 366.8260(2)(b)4. and (11), Florida Statutes.

In addition, the financing order should require fully accountable certifications from the lead underwriter(s), FPL, and the Commission's financial advisor that the actual structure, marketing, and pricing of the storm recovery bonds in fact resulted in the lowest storm recovery charges consistent with then-prevailing market conditions and the terms of the financing order and other applicable law. (Maurey)

Position of the Parties

FPL: No additional terms, conditions or representations are necessary. The utility asset-backed bond market is mature and highly liquid, and trading spreads are extremely tight. Issuing a financing order in substantially the form submitted by FPL will enable an efficient, low cost transaction. If the Commission wishes particular statements regarding the quality of the securities to be included in the offering documents, such statements should be included in the financing order as findings of fact or conclusions of law.

OPC: To enhance marketability of the bonds and to achieve the lowest overall cost to ratepayers, the "best practices" outlined in witness Fichera's testimony should be adopted. In addition, the bonds should be marketed broadly with active education regarding the nature of the bond issuance.

FIPUG: Staff witnesses have recommended criteria that will result in greater marketability and lower costs, these recommendations should be adopted, except the bonds cannot pledge the full faith and credit of the state or any local government.

FRF: The financing order should prescribe the ratepayer protections described in Staff witness Fichera's testimony, especially the provisions by which the Commission would be actively involved at all times and in all stages of the structuring, marketing, and pricing of the storm-recovery bonds.

AARP: No position at this time.

FEA: Agree with FIPUG.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis: The Commission is being asked to use its regulatory authority in a way that has never been previously done in Florida. (Fichera TR 1198) To achieve the maximum benefits of the storm recovery financing under Section 366.8260, Florida Statutes, and to minimize the financial burden on ratepayers, FPL should include an accurate and complete description of the credit risk of this investment in the marketing materials and offering documents. (Noel TR 1126–1127)

The storm recovery bonds that will be issued for the recovery of reasonable and prudently incurred storm damage restoration costs and the replenishment of the storm damage reserve that are the subject of this proceeding are very different from the typical bonds issued by FPL. (TR 1120) The Commission is being asked to forego future regulatory oversight in order to create a financing instrument of superior quality and a completely separate credit from the sponsoring utility. (TR 1198) Section 366.8260, Florida Statutes, requires the Commission to issue an irrevocable financing order in which the sponsoring utility is insulated from any and all costs associated with the financing. (Klein TR 1229) The Commission is also required to approve a true-up mechanism that commits the Commission to periodically adjust the storm recovery charge that supports the storm recovery bonds to whatever level is necessary to pay the bonds'

principal and interest on time. (TR 1230) In addition, the State and the Commission are required to pledge to the bondholders never to take or permit any action to be taken that would interfere with their right to payment. The irrevocable nature of the financing order, the direct broad-based storm charge applied to all FPL ratepayers, the unconditional Commission guarantee to adjust the storm charge as necessary, and the explicit pledge of the State not to interfere with the bondholders' rights to repayment result in an incredibly strong credit independent of FPL. (TR 1159)

Another difference between typical FPL bonds and storm recovery bonds is the degree of Commission oversight after the issuance. In typical utility debt financings the Commission retains the right to disallow any costs for ratemaking purposes, including adjustments for the interest rate. For the proposed issuance of storm recovery bonds, while the issuance costs are subject to review under Section 366.8260(2)(b)5., Florida Statutes, FPL argues that the interest rate on the bonds is not an issuance cost and is not subject to Commission review. (EXH 4, p. 445) Without conceding to FPL's interpretation of Section 366.8260(2)(b)5., Florida Statutes, regarding whether Commission review extends to the interest rate, the statute does state "the Commission may not make adjustments to the storm recovery charges for any such excess issuance costs."

The final difference between typical utility bonds and storm recovery bonds is how these bonds impact the Company's financial position. In more typical debt offerings, FPL has a strong incentive to negotiate hard with underwriters for the lowest possible interest rates as well as the lowest possible underwriting fees. FPL also has a strong incentive to minimize other issuance costs. Between rate cases, the benefit from a low net cost of funds is enjoyed at least in part by FPL's shareholders and the detriment from a high net cost of funds is borne at least in part by these same shareholders. These same checks and balances do not exist for the issuance of storm recovery bonds. (TR 1120) While typical utility bonds directly impact FPL's financial ratios, storm recovery bonds are not direct obligations of FPL and are non-recourse to FPL. (TR 1147–1149) Storm recovery bonds will not be recognized in the determination of FPL's debt coverage or other financial ratios. For these reasons, the same incentives and consequences for pursuing a lowest cost of funds with regard to FPL's typical utility bonds are not present with respect to the proposed storm recovery bonds. (TR 1120) Unless the superior credit quality of these bonds is accurately reflected in the marketing materials, the storm recovery bonds will not achieve the lowest cost of funds. (TR 1126–1127)

While FPL concedes that attaining low total cost, including both upfront and on-going issuance costs, is the single most important objective in judging the success of a securitization issuance, the Company does not agree that a lowest cost standard under prevailing market conditions and consistent with the terms of the financing order is a necessary or permissible standard to apply to the proposed issuance of storm recovery bonds. (Dewhurst TR 1684–1686)

FPL argues that the Commission should not impose a lowest cost of funds standard in this docket because the Legislature considered and rejected such a standard. FPL states that an early House version of the securitization law included language that explicitly provided a lowest cost of funds standard,[14] but that this language was removed in a subsequent House version,[15]

[14] Committee Substitute 1 for House Bill 303, p. 11 of 32. (EXH 133)
[15] Committee Substitute 2 for House Bill 303, p. 10 of 31. (EXH 134)

was not present in the Senate's companion bill (SB 1366), and did not survive the legislative process. (FPL BR at 142-143) Citing Section 366.8260(2)(b)2.b., Florida Statutes, FPL asserts that the Legislature instead chose to impose a standard requiring the Commission to "[d]etermine that the proposed structuring, expected pricing, and financing costs of the storm-recovery bonds are reasonably expected to result in lower overall costs or would avoid or significantly mitigate rate impacts to customers . . .." FPL claims that a lowest cost of funds standard is inconsistent with this standard, thus it cannot be adopted by the Commission.

Section 366.8260(2)(b)2.a.-j., Florida Statutes, sets forth the matters that the Commission is required to address in a financing order issued to an electric utility. Subparagraph g. of this section provides that the Commission, in its financing order, shall "[s]pecify the degree of flexibility to be afforded to the electric utility in establishing the terms and conditions of the storm-recovery bonds, including, but not limited to, repayment schedules, *interest rates*, and other financing costs." (Emphasis added.) Further, subparagraph j. of this section provides that the Commission shall include in its financing order "any other conditions that the commission considers appropriate and that are not otherwise inconsistent with this section." These provisions clearly provide the Commission with the authority to establish and apply a lowest cost of funds standard with respect to the issuance of storm-recovery bonds.

Contrary to FPL's arguments, adopting a lowest cost of funds standard as a condition to the financing order is entirely consistent with the law. First, FPL has mistakenly identified the standard for reviewing the costs of this type of transaction. FPL suggests that the standard is whether the proposed structuring, expected pricing, and financing costs of the storm-recovery bonds are reasonably expected to result in lower overall costs or would avoid or significantly mitigate rate impacts to customers. This is not the standard for reviewing the costs of the transaction; rather, it is the standard by which the Commission must determine whether to issue a financing order at all.[16] Notably, in the early House Bill cited by FPL, the standard asserted by FPL appears just prior to the "lowest cost" language FPL claims was rejected by the Legislature. (EXH 133) Accepting FPL's assertion, the early House Bill would have been at odds with itself because it would have included two different standards, side-by-side, for reviewing the same thing – cost of funds.[17] Clearly, as demonstrated by the early House Bill, there can be a standard for judging cost of funds that is different from, but not inconsistent with, the standard for determining whether to issue a financing order at all.

---

[16] See Section 366.8260(2)(b)1.b., Florida Statutes, which provides that "[t]he commission shall issue a financing order authorizing financing of reasonable and prudent storm-recovery costs, the storm-recovery reserve amount determined appropriate by the commission , and financing costs if the commission finds that the issuance of storm-recovery bonds and the imposition of storm-recovery charges authorized by the order *are reasonably expected to result in lower overall costs or would avoid or significantly mitigate rate impacts to customers* as compared with alternative methods of financing or recovering storm-recovery costs and storm-recovery reserve." (Emphasis added.)

[17] Further, staff believes that the standard cited by FPL cannot be applied to cost of funds. FPL would have the Commission judge the cost of funds on the basis of whether the cost achieved is reasonably expected to result in lower overall costs, which leaves the obvious question: Lower than what? Or under FPL's analysis, the Commission could judge the cost of funds on the basis of whether the cost achieved is reasonably expected to mitigate rate impacts to customers, which again leaves the question: Mitigated as compared to what? These criteria are clearly at issue in determining whether to approve a financing order versus a more traditional surcharge, but cannot be applied with any meaning in judging cost of funds.

Second, FPL fails to point out that the "lowest cost" standard in the early House Bill was not eliminated. The early House Bill provided that in a financing order issued to a utility, the Commission was required, among other things, to "[e]nsure that the marketing, structuring, pricing, and financing costs of the storm recovery bonds will result in the lowest cost of the funds and the lowest storm recovery charges that are consistent with market conditions and the terms of the financing order." (EXH 133) In the subsequent House version of the bill, this language was removed from subparagraph (2)(b)2. of the proposed law, but a "lowest cost" standard was added in subparagraph (2)(b)5. of the proposed law which provides for a post-issuance review of "the actual costs of the storm-recovery bond issuance."[18] The law as enacted retained the new language. The law provides for the Commission to determine if "the actual costs of the storm-recovery bond issuance . . . resulted in the *lowest overall costs* that were reasonably consistent with market conditions at the time of issuance and the terms of the financing order."[19] Staff believes this language provides evidence of the Legislature's intent that the Commission ensure the transaction be conducted at the lowest cost.

FPL asserts in a conclusory fashion that interest rates on the storm-recovery bonds are not issuance costs under the securitization law and thus are not subject to the "lowest overall costs" criteria specified in subparagraph (2)(b)5. of the law. (FPL BR at 135). Yet the securitization law does not define "issuance costs," and staff can find nothing in the law that supports the limited definition of issuance costs asserted by FPL.[20]

Also puzzling about FPL's resistance to the use of a lowest cost standard with regard to the issuance of its proposed storm recovery bonds is the fact that FPL's financial advisor in this proceeding has provided this exact form of certification on the behalf of Credit Suisse as the underwriter for other recent transactions involving the issuance of similar ratepayer-backed bonds. (EXH 167, pp. 64–67) In the most recent ratepayer-backed bond transactions in Texas and New Jersey, the sponsoring utilities, the lead-underwriter (in each case Credit Suisse), and the respective Commission financial advisors (in each case Saber Partners), each issued a certification to the effect that the respective transaction achieved the lowest ratepayer charges consistent with market conditions and the terms of the applicable financing order. (EXH 167, pp. 64–67) FPL will receive the same amount of money from the issuance of storm recovery bonds regardless of the level of the interest rates or other issuance costs, and regardless of the degree of Commission involvement in the issuance process. (TR 1214) To minimize the financial burden on FPL's ratepayers, staff recommends use of the same lowest cost standard and degree of

[18] Committee Substitute 2 for House Bill 303, p. 13 of 31.
[19] Section 366.8260(2)(b)5., Florida Statutes.
[20] Section 366.8260(1)(e), Florida Statutes, defines "financing costs" to include, among other things, "interest . . . payable on storm-recovery bonds" (subparagraph (1)(e)1.) and "any other cost related to issuing, supporting, repaying, and servicing storm-recovery bonds, including, but not limited to, servicing fees, accounting and auditing fees, trustee fees, legal fees, consulting fees, administrative fees, placement and underwriting fees, capitalized interest, rating agency fees, stock exchange listing and compliance fees, and filing fees, including costs related to obtaining the financing order" (subparagraph (1)(e)3.). Although "issuance costs" are not defined in the statute, FPL appears to define issuance costs as those items set forth in subparagraph(1)(e)3. (FPL BR at 135-137). Staff believes that this limited definition is not consistent with the language of the statute. The use of the word "other" to modify those costs "related to issuing, supporting, repaying, and servicing storm-recovery bonds" in subparagraph (1)(e)3. necessarily implies that the costs listed in prior subparagraphs, including interest as specified in subparagraph (1)(e)1., are also costs related to issuing, supporting, repaying, and servicing storm-recovery bonds. Hence, FPL's definition of issuance costs fails to appreciate that the statute considers "interest payable on storm-recovery bonds" to be an issuance cost.

accountability for FPL's proposed transaction that has been successfully employed in ratepayer-backed bond transactions in these other recent ratepayer-backed bond transactions. (TR 1182, 1188, 1200–1202)

This said, having the principal transaction parties certify that they achieved the lowest cost under prevailing market conditions and consistent with the terms of the financing order with regard to the issuance of ratepayer-backed bonds by itself is not sufficient to ensure that ratepayers receive the greatest benefit of this special form of financing. (TR 1164) Unless the sponsoring utility is committed to pursuing a lowest cost transaction by accurately communicating the unique and high quality characteristics of the proposed ratepayer-backed bonds, the bonds will not trade at the spreads commensurate with the value and safety of these bonds. (TR 1126–1127; 1164) Despite an explicit lowest cost standard in the New Jersey statute, the results have not always been the lowest cost relative to the value of comparable securities. From 2001 – 2004, the utilities, underwriters, and the New Jersey Commission's financial advisors were allowed to place significant qualifications on the lowest cost standard in their certifications. Rather than being strictly held to a lowest cost standard in the certification process, the utilities and their underwriters were allowed to qualify certain aspects of their certifications with terms such as "reasonable" and other means to avoid accountability for their certifications. In contrast, for the 2005 transaction for the benefit of Public Service Electric & Gas (PSE&G), the New Jersey Commission and its financial advisor eliminated these provisions by adopting the Texas Commission financing order certification model. As shown on Exhibit 100, the spread for the 2005 PSE&G transaction was considerably tighter (i.e., less expensive to ratepayers) than any previous ratepayer-backed bond transaction completed in New Jersey. (TR 1126–1127; EXH 100)

To achieve the maximum benefits of the storm recovery financing under Section 366.8260, Florida Statutes, and to minimize the financial burden on ratepayers, FPL should include an accurate and complete description of the credit risk of the storm recovery bonds in the marketing materials and offering documents. (TR 1126–1127) To this end, the financing order should include ordering paragraphs, findings of fact, and conclusions of law that will give appropriate comfort to investors about the high quality of storm recovery bonds as a potential investment as described in the recommendation statement.

The securitization law provides many important protections for bondholders to enhance the marketability of the bonds and achieve a lowest cost transaction. Pursuant to Section 366.8260(11)(b), Florida Statutes, the state provides a pledge to bondholders to ensure its support of the bonds:

> The state pledges to and agrees with bondholders, the owners of storm-recovery property, and other financing parties that the state will not:
>
> 1. Alter the provisions of this section which make the storm-recovery charges imposed by a financing order irrevocable, binding, and non-bypassable charges;
>
> 2. Take or permit any action that impairs or would impair the value of storm-recovery property; or

3. Except as allowed under this section, reduce, alter, or impair storm-recovery charges that are to be imposed, collected, and remitted for the benefit of the bondholders and other financing parties until any and all principal, interest, premium, financing costs and other fess, expenses, or charges incurred, and any contracts to be performed, in connection with the related storm-recovery bonds have been paid and performed in full.

The law further provides that any entity that issues storm-recovery bonds may include this pledge in the bonds and related documentation.[21]

After storm-recovery property has been transferred to an assignee or storm-recovery bonds have been issued (whichever comes first), the Commission's financing order becomes irrevocable and the Commission is not permitted to "amend, modify, or terminate the financing order" or "reduce, impair, postpone, terminate, or otherwise adjust storm-recovery charges in the financing order." Section 366.8260(2)(b)6., Florida Statutes.

There are only two conditions under which the financing order may be adjusted.[22] First, storm-recovery charges will be adjusted either up or down on a periodic basis pursuant to a formula-based true-up mechanism approved in the financing order.[23] These adjustments "shall ensure the recovery of revenues sufficient to provide for the payment of principal, interest, acquisition, defeasance, financing costs, or redemption premium and other fees, cost, and charges in respect of storm-recovery bonds approved under the financing order." Section 366.8260(2)(b)4. As noted in Issue 83, this true-up mechanism should be used at least every six months. Application of the true-up mechanism is subject to review only for mathematical accuracy.[24] Second, at the utility's request, the Commission may conduct a proceeding and issue a new financing order that provides for retiring and refunding storm-recovery bonds issued under the original financing order if the Commission determines that the new order satisfies the statutory criteria for issuance of a financing order.[25] In that event, the Commission may adjust the related storm-recovery charges as appropriate upon retirement of the refunded bonds and issuance of the new bonds.

In addition, the Commission is required in a financing order to provide that "storm-recovery charges authorized in the financing order shall be paid by all customers receiving transmission or distribution service from the electric utility or its successors or assignees under commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in the state."[26] Hence, regardless of a change in corporate structure or even a change in regulatory scheme, the securitization law provides for repayment of the bonds through non-bypassable charges.

---

[21] Section 366.8260(11)(c), Florida Statutes.
[22] Section 366.8260(2)(b)6., Florida Statutes.
[23] Section 366.8260(2)(b)4., Florida Statutes See Issue 82 for discussion of the true-up mechanism.
[24] Id.
[25] Section 366.8260(2)(c), Florida Statutes.
[26] Section 366.8260(2)(b)2.c., Florida Statutes.

To enhance the marketability of the storm-recovery bonds, the Commission should find that the investor protections established through the above provisions – the irrevocable nature of the financing order, the broad nature of the state pledge, the required ongoing application of the true-up mechanism, and the required imposition of non-bypassable charges – constitute a guarantee of regulatory action for the benefit of investors in storm recovery bonds. (Fichera TR 1153–1154)

It is clear under the securitization law that such a guarantee does not make the state or the Commission liable in any way for repayment of the bonds. As noted in Section 366.8260(9), Florida Statutes, all storm-recovery bonds must provide a statement on their face to the effect that "Neither the full faith and credit nor the taxing power of the State of Florida is pledged to the payment of principal of, or interest on, this bond."[27]

In addition, based on the statutory provisions discussed above, the Commission should find that its obligations under the financing order relating to the storm recovery bonds, including the specific actions the Commission guarantees to take (i.e., implementation of the true-up mechanism and adherence to the state pledge), are direct, explicit, irrevocable, and unconditional upon the issuance of storm recovery bonds, and are legally enforceable against the Commission, a United States public sector entity. This finding will enhance the marketability of the bonds and help achieve the lowest possible cost by qualifying the bonds for a 20% risk weighting. A 20% risk weighting can help expand the market for these bonds to an international level, in turn increasing competition and lowering cost. (Fichera TR 1172; EXH 94) In making this finding, the Commission would not be guaranteeing repayment; as noted above, the securitization law makes clear that neither the state nor the Commission shall be liable in any way, directly or indirectly, for repayment of the bonds other than in the state's capacity as a purchaser of electricity delivered by FPL. Rather, the Commission would find that its obligations under the securitization law are legally enforceable against it, but to no greater extent than those obligations would be legally enforceable absent a separate finding.

Finally, the financing order should require fully accountable certifications from the lead underwriter(s), FPL, and the Commission's financial advisor that the actual structure, marketing, and pricing of the storm recovery bonds in fact resulted in the lowest storm recovery charges consistent with then-prevailing market conditions and the terms of the financing order and other applicable law. If the Commission determines that all required certifications have been delivered and that the transaction complies with the financing order and other applicable law, the transaction would proceed without any further Commission action, as discussed in Issue 74B. Staff believes that if the transaction proceeds on these terms, any costs, including interest, addressed in the lowest cost certifications likely would not need further review in the post-issuance review under Section 366.8260(2)(b)5., Florida Statutes.

[27] Section 366.8260(9), Florida Statutes.

Issue 62: Should all legal opinions and other transaction documents and subsequent amendments be filed and approved by the Commission before becoming operative?

Recommendation: All transaction documents and subsequent amendments should be reviewed and approved by the Bond Team as discussed in Issue 74B before becoming operative. All legal opinions associated with the proposed storm recovery bond transaction should be submitted to the Commission automatically without requiring the Commission to specifically request the documents. (Keating, Maurey)

Position of the Parties

FPL: Documents submitted with the Petition include a Storm-Recovery Property Sale Agreement, Administration Agreement, and Storm-Recovery Property Servicing Agreement, Indentures, and Limited Liability Company Agreement. The substance of the agreements should be approved in connection the financing order, subject to changes as part of the Commission Pre-Issuance Review Process. The agreements themselves require Commission approval of amendments. Forms of legal opinions should be delivered for review as requested by the Commission, but should not be subject to Commission approval.

OPC: Yes.

FIPUG: Adopts the position of OPC.

FRF: Yes.

AARP: The same as the Office of Public Counsel.

FEA: Agree with OPC.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis: While it is reasonable to approve the general concept that certain legal opinions and other transaction documents will be necessary elements of the proposed transaction, the specific terms, conditions, covenants, warranties, representations, and specific language contained in the documents will be impacted by the Commission's decisions on other issues and must be reviewed in consideration of the financing order approved by the Commission.

The transaction documents that are the subject of this issue will have a meaningful impact on the structure, marketing, and pricing of the storm recovery bonds. (Fichera TR 1189–1190) The majority of the documents submitted to date for consideration in this proceeding are simply shells or templates of the actual documents. (EXH 33–39) In some cases, there is no substantive information for the Commission to actually consider and approve. (Appendices A and B to Exhibit B of FPL's petition) In other cases, the draft financing order as an example, staff will recommend the Commission make certain additions, deletions, and modifications before the documents become operative. (See discussion in Issues 61 and 74B) For these reasons, staff recommends that all transaction documents and any subsequent amendments be reviewed by the Bond Team and be approved before any of the documents become operative. (TR 1187–1190)

With respect to legal opinions regarding the storm recovery bond transaction, staff recommends the Commission require FPL to submit these opinions automatically to staff without the need for the Commission or its staff to specifically request the documents. (FPL BR at 146) In addition, as part of the review process discussed in Issue 74B, it is recommended that FPL and the Commission (the Bond Team) employ a competitive process in selecting, among equally qualified firms, the various law firms that will ultimately be required for the documentation, marketing, and execution of the proposed financing. (EXH 132, p. 2) Finally, FPL attempts to distinguish legal opinions from other transaction documents and says such opinions do not require Commission approval. (FPL BR at 147) Staff does not agree with FPL on this point. Staff recommends that any transaction documents or legal opinions that will have an impact on the structure, marketing, and pricing of the storm recovery bonds be reviewed and approved by the Bond Team before becoming operative as discussed in Issue 74B.

Issue 65: Should the Issuance Advice Letter be approved in substantially the form proposed by FPL?

Recommendation: No. The draft issuance advice letter in the form proposed by FPL does not provide sufficient detail for the Commission to make an informed decision regarding the proposed storm recovery bond issuance. (Maurey)

Position of the Parties

FPL: Yes. The draft issuance advice letter will provide the most current and up-to-date information concerning the final terms and conditions that only becomes available as the launch date for a bond series becomes very near.

OPC: No position.

FIPUG: FIPUG supports the testimony of Staff witness Fichera.

FRF: No position.

AARP: No position.

FEA: Agree with FIPUG.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis: FPL has proposed filing a draft issuance advice letter at least five days prior to the expected launch date for the sale of the storm recovery bonds. (Olson TR 683) The draft issuance advice letter proposed by FPL will reflect the preliminary bond structuring information for the proposed issuance, the expected and final maturities, over-collateralization levels, any other credit enhancements, and revised estimates of the upfront bond issuance costs proposed to be financed from proceeds of the bonds and estimates of debt service and other on-going costs for the first collection period. (TR 683)

The Commission should require FPL to file the issuance advice letter (IAL) and initial true-up letter (combined into one document) in draft form at least two weeks prior to pricing based upon the best information available at that time, and in final form on the day of pricing or within one business day of pricing. (Fichera TR 1191–1194; 1216) In addition, the final IAL should contain detailed analyses and representations regarding the actual structuring, marketing, and pricing of the bonds, as well as the initial storm recovery charges. (Klein TR 1233) In addition to the information suggested by FPL for inclusion in the IAL, other factors that should be addressed include the actions taken by the Company in the marketing of the bonds; a comparison of the pricing relative to an independent benchmark versus other similar securities historically and at the time of pricing; the amount of orders received and from whom; and other factors the Commission, its staff, and its financial advisor consider in their expert judgment to be necessary. (TR 1234) Finally, the IAL should include certifications from FPL, from the underwriters, and from the Commission's financial advisor that the structuring, marketing, and pricing of the storm recovery bonds resulted in the lowest cost of funds consistent with

prevailing market conditions and the terms of the financing order. (TR 1233–1234) The portion of this filing relating to the initial true-up letter is discussed in Issue 66.

The IALs filed in numerous successful Texas securitization transactions provide the Texas Commission with this level of detail. (TR 1240–1241; EXH 101) In contrast, the draft IAL as proposed by FPL is a simple summary of the key terms of the transaction. (Appendix A to Exhibit B of FPL's petition) To afford the Commission an opportunity to render an informed decision regarding the outcome of the proposed storm recovery bond issuance, staff recommends the Commission require FPL to file an IAL with sufficient representations and detailed analyses to demonstrate that the parties took all reasonable steps to produce the lowest cost transaction consistent with prevailing market conditions and the terms of the financing order. The proposed draft issuance advise letter filed by FPL is not sufficient.

Issue 67: How should the Commission ensure that the structure, marketing, and pricing of the storm recovery bonds result in the lowest possible burden on FPL's ratepayers?

Recommendation: The ratepayers should be effectively represented throughout the life cycle of the proposed transaction. The Commission can ensure the structure, marketing, and pricing of the storm recovery bonds resulted in the lowest possible burden on FPL's ratepayers consistent with prevailing market conditions and the terms of the financing order by participating in the transaction as discussed in Issue 74B. (Maurey)

Position of the Parties

FPL: A financing order in the form submitted with the Petition, including the proposed findings of fact and conclusions of law, contains provisions consistent with the statute and necessary to facilitate triple-A credit ratings, providing the requisite investor confidence in the storm-recovery bond issuance, and resulting in an efficient and cost-effective financing. If the Commission wishes to take an active role in directing and overseeing the issuance process, it should employ the approach recommended by FPL in response to sub-issue 74(b).

OPC: The Commission should adopt the "best practices" standard which includes active participation by the Commission, its staff, and financial advisors in the bond issuance process.

FIPUG: Adopts the position of OPC.

FRF: If the Commission determines to approve securitization, then the Commission should adopt the "best practices" standard.

AARP: The same as the Office of Public Counsel.

FEA: Agree with OPC.

AG: Adopts and agrees with the position set forth by OPC.

Staff Analysis: The ratepayers should be effectively represented throughout the life cycle of the proposed transaction when information and options are being evaluated and decisions are being made that impact the ultimate cost to ratepayers. It is difficult, if not impossible, to evaluate such decisions after the fact. (Fichera TR 1198–1202; Klein TR 1232–1234) The Commission can ensure the structure, marketing, and pricing of the storm recovery bonds resulted in the lowest possible burden on FPL's ratepayers consistent with prevailing market conditions and the terms of the financing order by including findings of fact, conclusions of law, and ordering paragraphs in the financing order as discussed in Issues 61 and 74B; by participating in the transaction review process as discussed in Issue 74B; and by insisting on accountability of the principal transaction parties by requiring lowest cost certifications as discussed in Issue 65.

Issue 74B: If the Commission votes to issue a financing order, what post-financing order regulatory oversight is appropriate and how should that oversight be implemented?

Recommendation: The ratepayers should be effectively represented throughout the proposed transaction. The Commission, its staff, its outside counsel, and its financial advisor, along with FPL, FPL's financial advisor, and its counsel should work in a collaborative process to ensure the structuring, marketing, and pricing of the storm recovery bonds result in the lowest cost consistent with prevailing market conditions and the terms of the financing order. The Commission should be represented primarily by its staff, who should be advised by the Commission's financial advisor and outside counsel. Staff should periodically brief the Commissioners and the parties on the progress of the transaction. Issues that arise during the process that cannot be resolved collaboratively should be submitted in writing to a designated Commissioner for guidance. If any party objects to the designated Commissioner's proposed resolution, the matter should be submitted to the Commission for *de novo* consideration. The final structure of the transaction, including pricing, should be subject to review by the full Commission for the limited purpose of ensuring that all requirements of law and the financing order have been met. The Commission should specifically determine that the fees and expenses of its financial advisor and outside counsel in this post-financing order collaborative process are entitled to payment from the bond proceeds. (Maurey, Keating)

Position of the Parties

NOTE: Only OPC stated a separate position on this sub-issue. The positions stated for FPL and FEA represent staff's synopsis of their discussion of the sub-issue.

FPL: FPL and the Commission should designate the members of a "bond team." The Commission should be represented on the bond team by the Prehearing Officer, who may be advised by the Commission's staff and financial advisor. The bond team should expect to meet by conference call no less than weekly. Any disputes relative to the transaction documents or the issuance, structuring, marketing, and pricing process that the Commission has reserved the authority to resolve shall be heard by the Prehearing Officer. Any party represented on the bond team should have the opportunity to have the Prehearing Officer's decision reviewed *de novo* by the full Commission.

OPC: Commission should take an active role in the issuance process. Parties should receive periodic updates on the status of the transaction through designated Commission staff. The Commission should retain final decision making authority. Any disputes should be addressed by the Commission either at an Agenda Conference with shortened recommendation filing as necessary or through the use of a designated Commissioner as a hearing officer. Parties should be provided a point of entry if there are future disputes.

FIPUG: No position.

FRF: No position.

AARP: No position.

FEA: Agree with OPC.

AG: No position.

Staff Analysis:

Procedural Options for Active Commission Participation

There are a number of potential options for Commission participation in the review and approval of the final transaction documents and in the collaborative process for structuring, marketing and pricing of the storm recovery bonds. Staff believes that the option selected should balance the need for an efficient process that does not unduly delay the issuance of the bonds with the need to ensure that ratepayer interests are adequately protected. If the Commission decides to use the "Bond Team" approach, there are three basic decisions to be made:

Decision 1: Who should participate on behalf of the Commission in day-to-day activities of the Bond Team? Options include:

- the Commission staff, financial advisor and counsel
- a designated Commissioner, staff, financial advisor and counsel
- a panel of Commissioners, staff, financial advisor and counsel
- the full Commission, staff, financial advisor and counsel

Staff recommends that day-to-day participation should be through the Commission staff, advised by the Commission's financial advisor and counsel. Due to the anticipated frequency of meetings and/or conference calls, staff believes it is impractical for one or more Commissioners to participate in light of other demands on Commissioners' time. In addition, notice requirements under the Sunshine Law could delay the process if a panel of Commissioners (or the full Commission) is designated to participate. If staff's recommendation is adopted, staff can brief Commissioners on the progress of the transaction at whatever frequency individual Commissioners desire.

Decision 2: What process should be used to resolve any issues on which the Bond Team members are unable to reach agreement? Options include:

- decision by the Commission staff and/or financial advisor acting pursuant to authority delegated in the financing order, subject to *de novo* review by the full Commission
- decision by a designated Commissioner, subject to *de novo* review by the full Commission
- decision by a panel of Commissioners, subject to *de novo* review by the full Commission
- decision by the full Commission

Staff recommends that any issue that the Bond Team participants are unable to resolve should initially be presented in writing for resolution by a designated Commissioner, subject to *de novo* review by the full Commission. This approach: (i) avoids any potential concern about the scope of authority that can properly be delegated to the Commission staff and/or financial advisor; (ii) recognizes that if the Commission staff and/or advisor cannot informally resolve the issue with FPL, the issue appropriately should be resolved at a higher level; and (iii) avoids the delay that would be introduced by Sunshine Law requirements and Commissioner scheduling concerns if disputes initially had to be submitted to a panel of Commissioners or the full Commission.

All parties who took a position on this issue indicated that it would be acceptable for a single Commissioner to initially resolve such issues, provided that parties had the right to seek *de novo* review by the full Commission or some other point of entry. (FPL BR at 162; OPC BR at 113) Staff agrees that *de novo* review would be appropriate in this unique situation. The designated Commissioner's decisions could affect the substantive rights of the parties in a way that is fundamentally different from routine Prehearing Officer decisions that are reviewed under the highly deferential reconsideration standard. Staff recommends that all parties to this docket should be provided notice of any dispute taken to the designated Commissioner and provided the opportunity for comment before the designated Commissioner. All parties should also be provided notice of any decision reached by the designated Commissioner.

The parties do not appear to agree on who should have the right to seek full Commission review of a determination made by the designated Commissioner. FPL would limit the right to parties represented on the Bond Team (i.e., FPL and the Commission) whereas the Intervenors would extend the right to all parties. Because the specific features of the securitization transaction can affect the rates to be paid by consumers, and hence the substantial interests of the parties, staff recommends that any party be allowed to seek full Commission review.

Decision 3: How should the pricing of the storm recovery bonds be approved? Options include:

- advance approval by the full Commission contingent upon the final price being supported by fully accountable certifications of lowest cost from FPL, the lead underwriter(s), and the Commission's financial advisor
- advance approval by the full Commission contingent upon the final price being fixed within a specified range (e.g. 1-2 basis points) identified no more than 48 hours prior to final pricing
- pricing subject to limited review by the full Commission after the bonds are priced, but before they are issued

Staff recommends the pricing of the storm recovery bonds be subject to limited review by the full Commission after the bonds have been priced but before the bonds have been issued. FPL will file a proposed form of issuance advice letter with the Commission at least two weeks before the expected pricing date. Within one week of receiving the proposed form of issuance advice letter, the Commission's staff with input from its financial advisor will provide comments and recommendations to FPL regarding the adequacy of information proposed to be provided. Within one business day of pricing, a meeting will be noticed for three business days after

pricing to afford the Commission an opportunity to review the proposed transaction. The first day after pricing is for receipt of the actual details of the transaction including the lowest cost certifications from FPL, the underwriter(s), and the Commission's financial advisor. The second day is for the staff's and the Commission's financial advisor's review of this information. The third day would be for a staff presentation of the results of its review and the Commission's deliberations on the transaction. If the Commission determines that all required certifications have been delivered and the transaction complies with applicable law and the financing order, the transaction proceeds without any further action of the Commission. However, if the Commission were to determine that the transaction fails to comply with applicable law or the financing order, or if FPL, the bookrunning underwriter(s), or the Commission's financial advisor is unable or unwilling to deliver the required certifications in a form acceptable to the Commission, the Commission would have discretion to issue an order to stop the transaction. The Commission would have no authority to issue an order to stop the transaction for any other reason, for example, a change in market conditions after the moment of pricing.

Other Matters

FPL's brief suggests a number of specific limitations on the role of the Commission and its financial advisors. FPL states that, as a result of securities law concerns, FPL must retain ultimate editorial control over the statements made in its registration statement and in the materials for an internet-enabled road show. (FPL BR at 160) FPL also states that participation in marketing and sales calls will be limited to FPL and its underwriters for the same reason. (FPL BR at 161). Staff believes that it is premature to address these or other specific limitations. The question of editorial control, for example, will arise only if the Bond Team and FPL disagree about specific disclosure language. Rather than addressing such issues in the abstract, the mechanism recommended above for resolving any future disputes can be used to focus on the specific language in question if a disagreement about such language cannot be resolved informally.

FPL also questions for the first time in its brief whether Section 366.8260, Florida Statutes, contemplates that activities by the Commission's financial advisor and counsel after entry of the financing order and before the post-financing cost review qualify for payment from bond proceeds. (FPL BR at 145; 159 at fn. 50) Staff recommends that the Commission find and direct that such costs are properly payable from bond proceeds.

Section 366.8260(2)(b)2., Florida Statutes, provides:

> In performing the responsibilities of this subparagraph [2.] and subparagraph 5., the commission may engage outside consultants or counsel. Any expenses associated with such services shall be included as part of financing costs and included in storm-recovery charges.

Subparagraph 2 identifies the contents of a financing order, and authorizes the Commission to "specify the degree of flexibility to be afforded to the electric utility in establishing the terms and conditions of the storm-recovery bonds" and "include any other conditions that the commission considers appropriate and that are not otherwise inconsistent with this section." Section 366.8260(2)(b)2.g. and j., Florida Statutes. Subparagraph 5 relates to the

Commission's after-the-fact review to determine if the actual costs of the storm-recovery bond issuance "resulted in the lowest overall costs that were reasonably consistent with market conditions at the time of the issuance and the terms of the financing order."

Staff believes that if the financing order (1) specifically limits the flexibility afforded to FPL by requiring active participation by the Commission, its financial advisor, and outside counsel in the structuring, marketing and pricing of the bonds, and (2) imposes conditions on FPL the monitoring of which requires the Commission to rely upon the services of a financial advisor and outside counsel, then the fees and expenses of the advisor and counsel qualify for payment from bond proceeds. To avoid any question about this matter, the Commission's conclusion concerning the recovery of these expenses should be included in the financing order.

Staff Analysis of FPL's Proposed Review Process

In its brief on this issue, FPL proposes a review process for active Commission involvement consisting of seven enumerated points. These points are set forth below, each followed by staff's comments and recommendations.

> 1. Establish Bond Team
> FPL and the Commission designate the professionals on their respective teams, representing in-house business, regulatory, finance and legal disciplines as well as outside advisors. The Commission itself shall be represented on the "Bond Team" by and through the pre-hearing officer in this matter, who may be advised by the Commission's staff and financial advisor and other members of the Bond Team. FPL will propose a transaction timeline in consultation with the Bond Team, establishing clear expectations as to all key issuance activities and the responsibility for each. The Bond Team will review the results of competitive solicitations for services for transaction participants. Throughout the process, the Bond Team should expect to meet by conference call no less than weekly for detailed and documented discussion of progress and next steps. (FPL BR at 159)

As previously discussed, staff recommends day-to-day participation in Bond Team activities through Commission staff, advised by the Commission's financial advisor and outside counsel, with a designated Commissioner to resolve any disputes. In addition, the development of the competitive solicitation and selection of underwriters and other transaction participants should be overseen by the Bond Team to ensure that the process is truly competitive and will result in the selection of transaction participants that have experience and ability to achieve an efficient and lowest cost transaction. (TR 1123, 1179–1181, 1185–1186) The underwriters work for the Bond Team but are not on the Bond Team.

> 2. Transaction Documents, Offering Documents and Legal Opinions
> FPL recommends that Staff complete its review of transaction documents filed with FPL's petition on January 13, 2006 and make recommendations for substantive changes in the Staff Recommendation to be filed May 8, 2006 for vote by the Commission at the Special Agenda on May 15, 2006. The transaction documents submitted are in substantially final form and conform to applicable

> law. Finalization of transaction documents is a key step to a successful and timely bond issuance. Subsequent changes in the transaction documents necessary to meet rating agency requirements or to conform to final structuring and pricing requirements will be reviewed with the Bond Team. FPL will be responsible for the initial draft of the registration statement and term sheet which will be provided to the Bond Team for comment and review if requested. FPL as issuer and the party with securities law liability for statements made in these documents will retain final editorial control over the document contents. All legal opinions will be submitted to Bond Team for review and comment if requested. (FPL BR at 159–160)

As discussed in Issues 62, 64, 65, and 66, the various documents that are necessary elements of this proposed transaction should be reviewed and approved consistent with the financing order issued by the Commission. It would be premature for staff to spend a large block of time reviewing and making recommendations for substantive changes to the transaction documents until the Commission has issued its financing order in this docket, providing guidance on what terms will be appropriate for these transaction documents. Thus, it would be inappropriate for the Commission's financing order to approve the transaction documents in substantially the form filed by FPL. Rather, the financing order should authorize FPL and the SPE to enter into the required transaction documents (e.g., the indenture, the storm recovery property sale agreement, the servicing agreement, the administration agreement, the LLC agreement), but leave the terms of those transaction documents to be approved by the Commission's designated personnel and financial advisor taking into account the requirements of the financing order. Staff recommends such review and approvals take place as necessary based on when certain decisions are anticipated to occur throughout the transaction timeline discussed by FPL in Paragraph 1 above. (TR 1186) Subsequent changes or amendments to these documents will be reviewed with, and approved by, the Bond Team before becoming operative. (TR 1703, 1190) Any issues that cannot be resolved by the Bond Team would be submitted to the designated Commissioner for initial decision.

Expert outside legal counsel has advised staff that FPL's assertions regarding securities law liability fail to provide a complete description of securities law liability in relevant respects. Although FPL might also have securities law exposure as a "control person", FPL will not be the issuer of the storm recovery bonds. The SPE will be the issuer and in that capacity will have the most direct exposure to securities law liability. The automatic true-up mechanism will place ratepayers at risk for any securities law liability actually incurred by the SPE. Any damage award payable by the SPE would be a revenue requirement in the true-up of storm-recovery charges to be recovered from ratepayers. Even if a claim asserted by investors is ultimately unsuccessful, attorneys' fees and other litigation expenses incurred by the SPE in defending the matter would be a revenue requirement in the true-up of storm-recovery charges to be reflected on all ratepayers' bills. Consequently, ratepayers have a direct interest that the marketing documents do not contain any statements that are false, misleading, or incomplete. In this respect, the interests of ratepayers are aligned with the interests of the SPE issuer and FPL. Further, as a practical matter, in the absence of fraud, the strength of the securitization law, including the broad nature of the state pledge and the true-up mechanism, make any liability arising from the content of the prospectus or other marketing materials remote unless there has

been a default or other event disrupting or threatening to disrupt the timing or amount of payments on the storm-recovery bonds.

The process for writing and reviewing the prospectus and other disclosure documents requires extensive due diligence on the part of all transaction participants. There should be a balancing of competing interests based on rigorous analysis and the making of informed judgments. Thus, while the Commission itself might not be exposed to securities law liability, if the Commission were to believe that disclosure language proposed by anyone is materially false or misleading, it should decline to allow the storm-recovery bonds to be issued so as to avoid exposing ratepayers to the SPE's potential securities liability by means of the true-up. Similarly, if FPL were to believe disclosure language as proposed by anyone is materially false or misleading, FPL would have a responsibility to decline to allow the storm recovery bonds to be issued. To date, this never has been the case in other securitization transactions, and it is extremely unlikely to be the case in connection with storm recovery bonds. To the contrary, after carefully reviewing all disclosure language in the prospectuses, outside legal counsel for both the issuer and the underwriters in connection with each prior issue of publicly offered ratepayer-backed bonds has delivered a letter confirming that nothing has come to its attention that would lead it to conclude that the prospectus disclosure was materially false or misleading.

Staff recommends all legal opinions related to the proposed storm recovery bond transaction be submitted automatically to the Bond Team for review and comment without the requirement that said opinions be specifically requested from FPL. (TR 1186)

> 3. Rating Agency Process
> FPL will be responsible for obtaining credit ratings. FPL will review progress and any issues encountered with the Bond Team at scheduled update meetings. (FPL BR at 160)

Staff recommends all rating agency presentations be submitted to the Bond Team for review and comment before the presentations are made to the rating agencies. (TR 1186) In prior ratepayer-backed bond transactions when the state commission has retained an active financial advisor, that financial advisor commonly has been an active participant in interfacing with rating agencies. (TR 1175-1176) Staff recommends the Commission's financial advisor similarly be an active participant in rating agency presentations.

> 4. Structuring and Marketing Process
> A detailed marketing plan will be prepared by FPL and the bookrunning underwriter(s) for review and comment by the Bond Team. The bookrunning underwriter(s) will develop a proposed bond structure for marketing purposes reflecting comments of all parties. The structure will be refined over the course of the marketing period and finalized at pricing. In addition to the prospectus and term sheet to be filed with the SEC, a draft set of slides for an internet-enabled roadshow will be provided for review and comment by the Bond Team. FPL will retain ultimate editorial control over these documents as they will likely constitute a "free-writing prospectus" under new SEC rules. Similar to the registration statement, FPL as the party with securities law liability will retain final editorial control over these presentations. During the execution of the marketing plan, it is

> anticipated that update calls with the Bond Team to provide market feedback will become more frequent. Alternatively, the Commission's representative and its advisor may choose to observe marketing presentations to potential investors made by the Company and its underwriters. Participation in marketing and sales calls will be limited to FPL and the underwriters as FPL has potential securities law liability for all statements made to potential investors at these meetings. (FPL BR at 160–161)

Preparation of the offering documents and the actual marketing of the storm recovery bonds are very important steps in the issuance process of ratepayer-backed bonds. Staff believes the limitations suggested by FPL over the Bond Team's involvement in the marketing function are unnecessary and will undermine the transparency of the transaction. (TR 1174–1176) The record shows examples of successful ratepayer-backed bond transactions for the benefit of other utilities that have not been subject to these unnecessary restrictions on Commission involvement in the marketing process. (TR 1175–1176) Moreover, these transactions involved the same financial advisors – Credit Suisse on behalf of the sponsoring utilities and Saber Partners on behalf of the respective Commissions – that are present in same roles in this transaction. (TR 1175–1176; EXH 167, pp. 64–67)

As discussed earlier, staff disagrees with FPL's assertions regarding securities law liability. (TR 1204–1205) Staff's comments with respect to Paragraph 2 above apply equally to Paragraph 4.

> 5. Pricing Process
> FPL and the underwriters will consult with the Bond Team on strategy prior to release of pricing indications to the market. As feedback is received, each refinement of price guidance is discussed with the Bond Team. Bookrunning underwriters will develop a "pricing book" containing relevant data to be examined by all parties. It is anticipated that FPL and the Bond Team will assist in the refinement of this document. The Bond Team will discuss and agree on an the estimated range for final spreads that will cause the bonds to clear the market prior to "launching" the transaction with final guidance and scheduling a pricing call. FPL would expect to have the Commission's representative agree that, if we are able to price within that range, that we should execute the transaction, or if not to indicate what alternative the Commission proposes. (FPL BR at 161)

The limitations on the Commission's involvement in the pricing of the storm recovery bonds are unnecessary and will undermine the transparency of the transaction. (TR 1174–1176) The actual interest rate payable on the storm recovery bonds is not fixed until the very last moment. (TR 690) The approach suggested by FPL is fundamentally at odds with the approach used to obtain superior pricing results in the five prior Texas transactions and in the 2005 New Jersey transaction. The Commission's financial advisor needs to be an active and visible participant in the actual pricing process in real time if the Commission is to obtain maximum benefits for ratepayers.

To effectively represent ratepayer interests in this process, staff recommends the full Commission have an opportunity to review the transaction after the bonds have been priced but

before the bonds have been issued. As discussed in Issue 65, FPL will file the issuance advice letter (IAL) and initial true-up letter (combined into one document) in draft form at least two weeks prior to pricing based upon the best information available at that time. FPL will file an IAL in final form with the Commission within one business day of expected pricing at which time a meeting will be noticed for three business days after pricing to afford the Commission an opportunity to review the proposed transaction. The first day after pricing is for receipt of the actual details of the transaction including the lowest cost certifications from FPL, the underwriter(s), and the Commission's financial advisor. The second day is for the staff's and the Commission's financial advisor's review of this information. The third day would be for a staff presentation of the results of its review and the Commission's deliberations. If the Commission determines that all required certifications have been delivered and that the transaction complies with applicable law and the financing order, the transaction proceeds without any further action of the Commission. However, if the Commission were to determine that the transaction fails to comply with applicable law or the financing order, or if FPL, the bookrunning underwriter(s), or the Commission's financial advisor is unable or unwilling to deliver the required certifications in a form acceptable to the Commission, the Commission would have the discretion to issue an order to stop the transaction. (TR 1215–1218) The Commission would have no authority to issue an order to stop the transaction for any other reason, for example a change in market conditions after the moment of pricing.

> 6. Issuance Advice Letter
>
> As part of the Staff Pre-Issuance Review process proposed by FPL, at least five business days prior to the proposed pricing date for the bonds, FPL will submit to Staff a draft pro-forma issuance advice letter for review by the Bond Team and other responsible parties. This pro-forma issuance advice letter will reflect pricing guidance from the marketplace. At the same time, a draft of the initial true-up letter, reflecting the pro-forma initial bond and tax charges, will be submitted. Not later than 48 hours after the pricing and sale of the bonds, FPL will file with the Commission a final issuance advice letter and a final true-up letter reflecting the final terms of the bonds and the resulting charges. All of the activities described above are contemplated within the scope of FPL's proposed financing order. It is not necessary for the financing order to specify all of the particulars of the due diligence process that the Commission ultimately adopts. Tr. 1506 (Olson). These activities all fall within the Scope of Saber Partners'current contract with the Commission. Ex. 136. (FPL BR at 161-162)

Staff recommends the Commission require the issuance advice letter to contain detailed analyses and representations as discussed above in this issue and in Issue 65. This will obviate the need for a separate initial true-up advice letter. Consistent with staff's comments under Paragraph 5 above, staff recommends the Commission reserve the right to issue a stop order at any time until 5:00 pm Eastern Time on the third business day after pricing if the Commission determines that the transaction fails to comply with applicable law or the financing order, or if FPL, the bookrunning underwriter(s), or the Commission's financial advisor is unable or unwilling to deliver the required certifications in a form acceptable to the Commission.

7. Dispute Resolution
Any disputes relative to the foregoing activities that the Commission has reserved to itself authority to resolve shall be heard before the pre-hearing officer in this matter, with the opportunity for any party represented on the bond team to have the pre-hearing officer's decision reviewed de novo by the full Commission. (FPL BR at 162)

Staff's comments under Paragraph 1 above apply equally to Paragraph 7. In addition, staff recommends that any issue that the Bond Team and FPL are unable to resolve should initially be submitted in writing for resolution by the designated Commissioner, subject to *de novo* review by the full Commission. All parties who took a position on this issue indicated that it would be acceptable for a single Commissioner to initially resolve such issues, provided that parties had the right to seek *de novo* review by the full Commission or some other point of entry. Because the specific features of the securitization transaction can affect the rates to be paid by consumers, and hence the substantial interests of the parties, staff recommends that any party be allowed to seek full Commission review.

Summary

The ratepayers should be effectively represented throughout the proposed transaction. The Commission, its staff, its outside counsel, and its financial advisor, along with FPL and its counsel should work in a collaborative process to ensure the structuring, marketing, and pricing of the storm recovery bonds result in the lowest cost consistent with prevailing market conditions and the terms of the financing order.

Based on the evidence presented, staff believes that it is simply not possible to determine, in a review that takes place after issuance of the bonds and under the limited terms of participation suggested by FPL, whether the interest rates achieved on the bond issuance resulted in lowest overall costs consistent with market conditions at the time of pricing. Thus, staff recommends that the Commission, as an appropriate condition of the financing order, ensure its real time involvement in the pricing of bonds at the time of pricing and adopt a lowest cost approach under which FPL, the bookrunning underwriters involved, and the Commission's financial advisor each individually certifies that lowest overall costs were achieved for the storm recovery bonds under then prevailing market conditions and the terms of the financing order.

The Commission should be represented primarily by its staff, who should be advised by the Commission's financial advisor and outside counsel. Staff should periodically brief the Commissioners and the parties on the progress of the transaction. Issues that arise during the process that cannot be resolved collaboratively should be submitted in writing to a designated Commissioner for guidance. If any party objects to the designated Commissioner's proposed resolution, the matter should be submitted to the Commission for *de novo* consideration. The final structure of the transaction, including pricing, should be subject to approval by the full Commission as outlined above. The Commission should specifically determine that the fees and expenses of its financial advisor and outside counsel in this collaborative process are entitled to payment from the bond proceeds.

Exhibit D. Lowest-Cost Certifications: The Statute, the Order and the Certificate

Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04
October 20, 2026[1]

Several commissions have followed the early Texas and Florida precedents. They have required certain parties to the transaction to certify lowest cost, so that the commission can judge whether the transaction meets its goals, its objectives and the statute. A lowest-cost certification is read in three steps. First, the statute: what does the law require? Second, the financing order: what did the commission require? Third, the certificate as filed: does it meet the order's own words and the legal standard for a financial opinion? This exhibit applies those steps. Saber uses the same method in other states; outside counsel has reviewed it.[2]

1. The Connecticut statute

The statute leaves the terms to PURA. PURA "may determine, at its sole discretion, that the issuance of rate reduction bonds is in the best interest of ratepayers." The financing order "specifies the appropriate amount, timing and terms" of the bonds.[3] The hearing "shall be conducted as a contested case."[4] The order takes effect only when the utility files its written consent to "all terms and conditions." Once the bonds are issued, the order is irrevocable.[5]

The Connecticut statute sets no lowest-cost standard and requires no certification. Other states differ. North Carolina's statute requires a finding that the structuring and pricing "are reasonably expected to result in the lowest securitization charges consistent with market conditions."[6] Texas's statute directs its commission to "ensure that the structuring and pricing of the transition bonds result in the lowest transition bond charges consistent with market conditions and the terms of the financing order."[7] In Connecticut, then, any lowest-cost standard and any certification must come from the financing order. PURA writes that order in this contested case.

2. The financing order

Orders set the standard, name who must certify and decide what happens if a certificate falls short.

Order	Standard and who certifies	What happens at pricing
Connecticut, 2000 (CL&P)	Terms set "with the objective to achieve the lowest all-in financing cost possible" (Finding of Fact No. 22, pp. 22–23).	Issuance advice letter, subject to Finance Authority approval, with "a calculation confirming net savings to ratepayers" (Order No. 3, p. 27). No lowest-cost certificate.

[1] © 2026 Saber Partners, LLC.

[2] Every quotation is from a public document, cited with a link. The names of the firms that signed the certificates are omitted; the dates and dockets identify each document.

[3] Conn. Gen. Stat. § 16-245e(l), as amended by Public Act 25-173, https://www.cga.ct.gov/2026/sup/chap_283.htm.

[4] Conn. Gen. Stat. § 16-245f(a)(3), https://www.cga.ct.gov/2026/sup/chap_283.htm.

[5] Conn. Gen. Stat. § 16-245i(a), (b)(1), https://www.cga.ct.gov/2026/sup/chap_283.htm.

[6] N.C. Gen. Stat. § 62-172(b)(3)b.3, https://www.ncleg.gov/EnactedLegislation/Statutes/HTML/BySection/Chapter_62/GS_62-172.html.

[7] Tex. Util. Code § 39.301, https://statutes.capitol.texas.gov/Docs/UT/htm/UT.39.htm#39.301.

Order	Standard and who certifies	What happens at pricing
Connecticut, 2026 draft (CL&P)	Terms set to achieve "the targeted triple-A rating and therefore the lowest cost" (FO p. 7).	No lowest-cost certificate. The letter is filed "for informational purposes" and "is not a condition to the authority to issue" (FO pp. 15, 38). The Treasurer confirms it matches the final terms, "an affirmative gate on final bond economics" (OTT Test. 15:10–23).
Texas, 2002 (Oncor)	The Commission's financial adviser must "ensure that the structuring and pricing … results in the lowest transition bond charges consistent with market conditions" (Findings of Fact 63, 102, 104(g)).	The utility certifies in its issuance advice letter. The adviser takes part "fully and in advance" in the decisions and may veto an issue that does not comply (Finding of Fact 103; Ordering ¶ 21).
Florida, 2006 (FPL)	The utility, the bookrunning underwriters and the Commission's adviser each certify that the structuring, marketing and pricing "in fact achieved the lowest cost objective" (Finding of Fact 105, p. 36).	Commission reviews the certificates on the third business day after pricing and may stop the transaction (Finding of Fact 135, p. 43).
North Carolina, 2025 (Duke Energy Carolinas)	Each lead underwriter must deliver "an independent certificate confirming that the structuring, marketing, and pricing … in fact resulted in the lowest Storm Recovery Charges," and the certificates must be "without material qualification" (p. 51; Ordering ¶ 30(a), p. 62).	The Commission's consultant, if retained, must certify on the same terms or "fully explain the reasons in a written filing" (Ordering ¶ 30(b), p. 62).

Sources: Connecticut 2000: DPUC Decision, Docket No. 00-05-01 (Nov. 8, 2000); Connecticut 2026: Ex. CLP-FINANCING ORDER-1 and OTT pre-filed testimony (Oct. 12, 2026); Texas: Saber Partners, Certificate to the PUCT, Docket No. 25230 (Aug. 21, 2003), pp. 1–2 (summarizing the Financing Order of Aug. 5, 2002); Florida: Order No. PSC-06-0464-FOF-EI (May 30, 2006); North Carolina: Financing Order, Docket No. E-7, Sub 1325 (June 18, 2025).[8]

3. The certificate as filed

A certificate is measured against the order's own words: "certify" or "confirm," "in fact," and "lowest." It is then measured against the legal standard for a financial opinion. Three points of law apply.

- **Materiality.** A matter is material if there is "a substantial likelihood that a reasonable" person "would consider it important."[9] An assumption that the utility's figures are accurate, made without checking them, is material. Independent confirmation is what the certificate exists to supply.
- **Independent verification.** An opinion qualified by the words "without independent verification," and resting on information from a party whose interests conflict with those of the party receiving it, does not supply independent confirmation. A basic principle of auditing states the reason: "Evidence obtained from a knowledgeable source that is independent of the company is more reliable than evidence obtained

[8] https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt; https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04; https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/6db54a3cbe007ed085258e8f004a97de?OpenDocument; https://saberpartners.com/wp-content/uploads/2023/08/Ex-18-Saber-Texas-certification.pdf; https://www.floridapsc.com/library/Orders/2006/06-0464.ord.doc; https://www.sec.gov/Archives/edgar/data/30371/000110465925070038/tm2521130d2_ex99-1.htm.

[9] TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438, 449 (1976), https://law.resource.org/pub/us/case/reporter/US/426/426.US.438.74-1471.html.

only from internal company sources."[10] The Florida staff found that parties had qualified early certifications "to avoid accountability."[11]

- **The underwriter's role.** Underwriters act "solely in the capacity of an arm's length contractual counterparty … and not as a financial advisor or a fiduciary."[12] Their certificate is useful because they hold the order book. It is not independent of the result.

Certificate	What it says (verbatim)	Measured against the order and the law
Acceptable		
Texas · lead underwriter · Jan. 31, 2002	Under "We hereby certify": the structure "resulted in the Issuer achieving the lowest transition bond charge for the Transition Bonds consistent with the terms of the Financing Order and market conditions at the Pricing Time."	Certifies "lowest." "At the Pricing Time" is a point in time, not a reservation. The Commission's adviser was offered full participation "in advance."
Texas · Commission's adviser · Aug. 21, 2003	"… the structuring and pricing of the Transition Bonds resulted in the lowest transition bond charges at the Pricing Time."	Rests on the adviser's own due diligence, which the certificate describes. The adviser had a part in the decisions and a veto.
Florida · joint-lead underwriter · June 16, 2016	"The marketing and pricing … resulted in (a) the lowest overall net cost of funds … and (b) the lowest net cost of funds … in respect of each weighted average life designation."	Certifies "lowest" on a measure the underwriter controls. Defines its terms. The Commission's adviser was offered full participation.
Not acceptable		
North Carolina · lead underwriters · Sept. 24, 2025	"It is the view of [underwriter], as underwriter, that the structuring, marketing and pricing … resulted in the lowest Storm Recovery Charges …." Subject to: "we have assumed, without independent investigation, the accuracy and completeness of information from the Company …"; and "The pricing … does not reflect a level at which actual other transactions have occurred or may occur."	The order required an independent certificate "confirming" the result "in fact," "without material qualification." The filing states a "view," omits "in fact," assumes the utility's information without checking it, and disclaims the benchmark.
North Carolina · Commission's consultant · Sept. 24, 2025	"It is [consultant]'s opinion, in its best professional judgement … that the structuring, marketing and pricing … in fact resulted in the lowest Storm Recovery Charges …." Subject to: "we have assumed, without independent investigation, the accuracy and completeness of information from the Company, the docket, the Financing Order, the Underwriters …."	Tracks the order's words but rests on information assumed without independent investigation, including the underwriters' information. That is a material qualification.

Sources: Texas underwriter: letter to the PUCT, Docket No. 21528 (Jan. 31, 2002), p. 3; Texas adviser: certificate, Docket No. 25230 (Aug. 21, 2003), p. 3; Florida underwriter: certificate, Fla. PSC Docket No. 150171-EI (June 16, 2016), p. 2; North Carolina: underwriter certifications and consultant certification, NCUC Docket No. E-7, Sub 1325 (Sept. 24, 2025; public redacted underwriter versions filed Feb. 6, 2026); underwriter certifications, pp. 3–4; consultant certification, pp. 1–2.[13]

[10] Public Company Accounting Oversight Board, AS 1105, Audit Evidence, ¶ .08, https://pcaobus.org/oversight/standards/auditing-standards/details/AS1105.

[11] Fla. Public Service Commission, Memorandum (staff recommendation), Docket No. 060038-EI (May 8, 2006), Document No. 04068-2006, Issue 61, p. 186 (parties "were allowed to qualify certain aspects of their certifications with terms such as 'reasonable' and other means to avoid accountability for their certifications"), https://floridapsc.com/library/filings/2006/04068-2006/04068-2006.PDF (Exhibit C).

[12] Appalachian Power Recovery Funding LLC, Underwriting Agreement (May 19, 2026), § 14, https://www.sec.gov/Archives/edgar/data/6879/000119312526231725/d27122dex11.htm.

[13] https://saberpartners.com/wp-content/uploads/2023/08/Ex-2-Goldman-certification.pdf; https://saberpartners.com/wp-content/uploads/2023/08/Ex-18-Saber-Texas-certification.pdf; https://saberpartners.com/wp-content/uploads/2023/08/Ex-25-Fl-underwriter-cert-with-annotations.pdf; North Carolina filings at https://starw1.ncuc.gov/NCUC/page/Dockets/portal.aspx (search Docket No. E-7, Sub 1325).

The utility's own certificate needs the same reading. The utility receives the proceeds; its customers pay the charge. CenterPoint's treasurer told the Texas commission in 2005 that "the company has a real incentive to try to get the bonds sold as quickly as possible," and that he could "understand why … the Commission either directly or indirectly needs to be involved in this process."[14]

4. What PURA may consider in this contested case

Because the Connecticut statute leaves these terms to the financing order, PURA can take evidence on them now. Among the questions:

- Should the order adopt a lowest-cost standard in the order's own words, as in 2000?
- Should the utility, each lead underwriter and an independent adviser to PURA each certify that the structuring, marketing and pricing "in fact" produced the lowest charges, "without material qualification," and state that it independently verified the material facts?
- Should the order attach a form of certificate, so the operative words cannot change at pricing?
- What role should PURA's side have before pricing: observer, reviewer or participant in the decisions?
- Should each certifier state what it verified itself and what it assumed?
- What should happen if a certificate falls short of the order's words?

[14] Testimony of Marc Kilbride, Treasurer, CenterPoint Energy, PUCT Docket No. 30485, Tr. vol. 4, 658:2–15 (Feb. 2, 2005), https://saberpartners.com/wp-content/uploads/2023/06/PUCT-Transcript-Feb-2-2005-Docket_30485_Vol_4.pdf.

Exhibit E. What the Utility Earns on Its Deposit: 94 Financing Orders, 1997–2026

Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04
October 20, 2026[1]

The deposit

When the bonds are sold, CL&P puts in a deposit of at least 0.50 percent of principal. On $620,364,568 of bonds, that is about $3.1 million. The money sits in the capital subaccount until the bonds are paid. Then it goes back to CL&P.[2] CL&P asks only for what the deposit earns, paid monthly. Connecticut gave the same answer in 2000.[3]

What other commissions have done

The utility benefits from the transaction: it recovers 100 percent of its approved costs up front. Its deposit is required for tax purposes.[4] The charge is set to replenish any draw on the deposit. So the deposit is expected to come back in full if customers keep paying the charge for the life of the bonds.[5] If the utility's funds are not at risk, what return is fair to the utility, and what is fair to customers?

We reviewed 94 financing orders for investor-owned utility bonds from 1997 through 2026.[6] This is what they let the utility earn on its deposit.

What the utility may earn	Commission chose	State law required
What the deposit earns, or less	52	0
A bond or utility debt rate	32	0
Its full rate of return	4	6
Total	88	6

Where the law set no rate, commissions held the utility to what the deposit earned in 52 of 88 orders. Four gave the full rate of return: Maryland in 2007, New York in 2024 (two

---

[1] © 2026 Saber Partners, LLC.

[2] CL&P, Ex. CLP-TREASURY-1 (Sept. 25, 2026), PDF p. 11 (principal) and p. 23 (deposit of at least 0.50 percent); 0.50% × $620,364,568 = $3,101,823. CL&P, Ex. CLP-FINANCING ORDER-1, Proposed Financing Order, p. 38 (balance "returned to CL&P"), PURA Docket No. 26-04-04, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04.

[3] Proposed Financing Order, ordering ¶ 13, p. 38; Ex. CLP-TREASURY-1, PDF p. 37, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04; Connecticut DPUC, Docket No. 00-05-01, Decision (Nov. 8, 2000), Ex. A, § C.2, p. A-8, https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt.

[4] Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), pp. 20–21 (under IRS Rev. Proc. 2005-62, as modified by Rev. Proc. 2024-15, the issuer must be capitalized with equity of "at least 0.5 percent" of the bonds), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04.

[5] Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 14 (the charge covers "replenishment of any amounts drawn from the Capital Subaccount such that the balance is equal to the targeted level"), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04.

[6] Orders for investor-owned utility bonds in the URB Master Database, 1997–2026; state-agency and cooperative bonds are excluded. In Louisiana's state-agency transactions the utility makes no deposit. The order-by-order list, with the language and page of each order, is available on request.

orders) and Virginia in 2025.[7] The other six full-return orders came from three states whose laws require it.[8] Connecticut's law sets no rate.

The practice has shifted. Before 2020, 45 of 57 orders allowed only what the deposit earns. Since 2020, 7 of 37 have.

What it costs customers

Customers pay the gap between what the utility may earn and what the deposit earns. Under CL&P's proposal the gap is zero. If a higher rate were allowed, over the 12-year life of the bonds the proposed deposit would cost customers:[9]

Deposit	At the bond rate, 5.48%	At the full rate of return, 7.09%
0.50 percent, as proposed ($3.1 million)	$0.5 million	$1.1 million

Saber estimate, nominal: (allowed rate − bank rate) × deposit × 12 years. Bank rate 4.10 percent, the 3-month Treasury bill on October 15, 2026, held constant for illustration. A lower bank rate would raise each figure.[10]

[7] Md. Public Service Comm'n, Order No. 81181 (BGE), filed as Ex. 99.1 to Form S-3 (Mar. 16, 2007), https://www.sec.gov/Archives/edgar/data/9466/000095012007000193/exhibit99_1.htm; N.Y. Public Service Comm'n, Case 24-E-0493 (Dec. 19, 2024) (NYSEG and RG&E), filed as Ex. 99.1 to Form SF-1/A (Jan. 8, 2025), https://www.sec.gov/Archives/edgar/data/71675/000119312525003177/d923110dex991.htm; Va. State Corp. Comm'n, Case No. PUR-2025-00116 (Nov. 24, 2025), filed as Ex. 99.1 to Form SF-1 (Feb. 27, 2026), https://www.sec.gov/Archives/edgar/data/6879/000119312526083197/d44535dex991.htm.

[8] Mo. Rev. Stat. § 393.1700.2(3)(c) (three orders), https://revisor.mo.gov/main/OneSection.aspx?section=393.1700; Kan. Stat. Ann. § 66-1,241(e)(14) (two orders), https://ksrevisor.gov/statutes/chapters/ch66/066_001_0241.html; 2023 Ky. Acts ch. 72, § 4(1)(m) (one order).

[9] PURA Interrogatory RRU-7 (Oct. 14, 2026), https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/bed803b7492d402e85258e900063df67?OpenDocument.

[10] Federal Reserve Bank of St. Louis, FRED, series DTB3, https://fred.stlouisfed.org/series/DTB3. Bond rate 5.482%: Ex. CLP-GOLDMAN-1, p. 27, Table 2; rate of return 7.09%: Ex. CLP-TREASURY-1, PDF p. 38, https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04. At a 0.50% deposit, a 3% bank rate gives $0.9 million and $1.5 million; a 5% bank rate gives $0.2 million and $0.8 million. A pre-tax rate of return would cost more.

Exhibit F. After Pricing: Advice Letters and Customer Protections in Financing Orders, 2016–2026

Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04
October 20, 2026[1]

We read the financing orders for every utility securitization sold by a commission-regulated issuer from October 18, 2016 to October 18, 2026: 50 issues under 49 orders.[2] We asked two questions. What happens between pricing and closing? Who bears a cost caused by a party's mistake?

1. What happens after pricing

Treatment after pricing	Orders	Commissions (number of orders)
Commission may stop the issue within one to four business days after pricing	32	California (9; each also requires the Finance Team's approval letter before issuance), Texas (6), North Carolina (4), Missouri (3), Kansas (2), New York (2), South Carolina (2), Virginia (2), Indiana (1), Kentucky (1)
Commission or its designee must approve before issuance	6	Louisiana Public Service Commission (5), New Orleans City Council (1)
Advice letter filed for information only	5	New Hampshire, 2018 (Public Service Company of New Hampshire, an Eversource company); Oklahoma, 2021–22 (4; a state finance authority issued the bonds)
No filing before issuance; report after closing	6	Michigan (3), Wisconsin (1), New Mexico (1), Texas Railroad Commission (1)
Total	49	
Connecticut, 2000 (CL&P)	—	Advice letter filed "for informational purposes," with "a calculation confirming net savings to ratepayers" (Order No. 3, p. 27). Final terms subject to Finance Authority approval (p. 9).
Connecticut, 2026 draft (CL&P)	—	Advice letter filed "for informational purposes"; "not a condition to the authority to issue" (FO pp. 15, 38). No savings calculation.

Sources: Connecticut 2000: DPUC Decision, Docket No. 00-05-01 (Nov. 8, 2000); Connecticut 2026: Ex. CLP-FINANCING ORDER-1; New Hampshire: Order No. 26,099, Docket DE 17-096 (Jan. 30, 2018), Finance Order § N.[3]

2. Who bears the cost of a mistake

No one expects mistakes. The documents must still anticipate them. The standard of care, and who bears the loss, should be settled before the bonds are sold.

CL&P's 2001 servicing agreement held the servicer liable for "willful misconduct or negligence." It protected "the State of Connecticut, the Finance Authority, the State Treasurer, agencies of the State of Connecticut."[4] The 2026 draft limits liability to "willful misconduct, bad faith or gross negligence" and protects only the issuer, the bondholders

[1] © 2026 Saber Partners, LLC.

[2] Issues in the URB Master Database with sale dates from October 18, 2016 to October 18, 2026, excluding four cooperative issues with no commission order. Two PG&E issues (2022-A and 2022-B) share one order. The New Orleans City Council order (2022) is classified from the issue's offering statement. The order-by-order list, with quotations and page cites, is available on request.

[3] https://www.sec.gov/Archives/edgar/data/1131671/000101905601000038/0001019056-01-000038.txt; https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d?OpenView&StartKey=26-04-04; https://www.sec.gov/Archives/edgar/data/1730300/000104746918000902/a2234535zex-99_1.htm.

[4] Transition Property Servicing Agreement between CL&P Funding LLC and CL&P (Mar. 30, 2001), § 6.02(b)–(c), filed with CL&P Funding LLC, Form 8-K (Apr. 9, 2001), https://www.sec.gov/Archives/edgar/data/1131671/000113167101000006/0001131671-01-000006.txt.

and the trustee. The draft order sets the charge to cover "any indemnity obligations" and any shortfall "for any reason" (FO p. 14). A cost caused by a party's error can pass to customers through the true-up.

Other commissions put customer protection in the order or the agreement:

Transaction	Provision
West Virginia, 2007 and 2009	The utility "shall indemnify customers to the extent customers incur losses by reason of the negligence, recklessness or willful misconduct of that Applicant as Servicer" (Financing Order, Finding of Fact 46).
Duke Energy Florida, 2016	The servicer "shall indemnify the Commission, on behalf of the Customers, for any Losses incurred by Customers by reason of the Servicer's negligence, recklessness or willful misconduct," including "higher Series Charges." Payments go to the collection account (Servicing Agreement § 6.02(e)).
Oncor, 2003	The servicer indemnifies "the PUCT (for the benefit of the Customers)" (Servicing Agreement § 6.02(b)).
AEP Texas Central, 2006	The servicer "shall indemnify the PUCT (for the benefit of Customers)" for losses from its "negligence" (Servicing Agreement § 6.02(g)).

Sources: West Virginia: Case Nos. 05-0402-E-CN and 05-0750-E-PC; Duke Energy Florida: Servicing Agreement (June 22, 2016); Oncor: Transition Property Servicing Agreement (Aug. 21, 2003); AEP Texas Central Transition Funding II: Transition Property Servicing Agreement (Oct. 11, 2006).[5]

We reviewed 46 of the 49 orders on this point. Of those 46, 18 require the servicer to protect customers on a negligence standard. None uses gross negligence for customers. Most cover only a higher fee for a replacement servicer. No order caps or excludes indemnity payments to the underwriters or the trustee from the customer charge.

3. How service providers are chosen

Some orders require competitive selection. California's 2026 order requires "a request for proposals for the selection of the lead underwriters."[6] Indiana's 2023 order found a proposal "to competitively bid the underwriters and indenture trustee services is appropriate."[7] Others leave selection to the utility. CL&P sought trustee quotes from three banks (EOE-6). The record does not show competitive selection of the structuring agent, the underwriters or counsel.

The standard for service providers also matters. Must they act in the customer's best interest, and not in their own economic interest? Or are they free of any such duty?

[5] https://www.sec.gov/Archives/edgar/data/1384731/000095012007000199/exhibit99_2.htm; https://www.sec.gov/Archives/edgar/data/1669374/000110465916128781/a16-2779_16ex99d1.htm; https://www.sec.gov/Archives/edgar/data/1100179/000095012003000534/ex10b.txt; https://www.sec.gov/Archives/edgar/data/18734/000119312506206342/dex991.htm.

[6] Cal. Pub. Util. Comm'n, Decision D.26-05-006, A.26-01-007 (May 2026), pp. 50–51, filed as Exhibit 99.1 to Form SF-1 of Southern California Edison Company (May 29, 2026), https://www.sec.gov/Archives/edgar/data/92103/000119312526245837/d143317dex991.htm.

[7] Ind. Util. Regulatory Comm'n, Order, Cause No. 45722 (Jan. 4, 2023), p. 71, filed as Exhibit 99.1 to Form SF-1 of Southern Indiana Gas and Electric Company (Mar. 24, 2023), https://www.sec.gov/Archives/edgar/data/92195/000119312523079261/d472510dex991.htm.

Exhibit G. The Classification of Utility Recovery Bonds: Background, Cost to Customers and Filings with the SEC

Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04
October 20, 2026[1]

This exhibit gives the SEC's publications, with links, on its staff guidance for public utility securitizations and on its request for public comment. It also lists, in date order, the filings with the SEC by governors, regulators and consumer advocates. Exhibit H contains the Energy and Policy Institute article, reprinted with permission, and the governors' letter and the NARUC and NASUCA resolutions.

The request comes from many offices and states. Governors of eight states wrote to the SEC in 2024. NARUC, the national association of state utility commissions, and NASUCA, the national association of consumer advocates, adopted resolutions. Officials of the Colorado, Illinois, New York and North Carolina commissions joined comments in 2025. The consumer advocates of Hawaii, Missouri and New Hampshire filed comments in 2026. Former chairs of the Colorado and Texas commissions filed as well. The list at the end of this exhibit gives each filing, with a link.

Date	Event
Sept. 19, 2007	The SEC staff's Office of Chief Counsel concludes that two West Virginia utility bond issuers "are not asset-backed issuers and the Bonds are not asset-backed securities." It answers 12 days after the request. The issuers' registration had gone through two rounds of SEC staff comments, posted on the SEC's website.[2]
June 2016	Duke Energy Florida's bonds are registered on Form SF-1. The prospectus states that they "are corporate securities" and "not asset-backed securities."[3]
Feb. 2021	Southern California Edison's first recovery bonds state that they "are not asset-backed securities." They price about 0.6 percentage point over Treasuries.[4]
Until 2022	Bloomberg and its predecessor, Barclays, classify utility recovery bonds as corporate bonds, as reported by the Energy and Policy Institute.[5]
2022	Bloomberg's index service begins classifying utility recovery bonds as asset-backed securities. Bloomberg said it did so at the request of investors, after a market survey, as reported by NARUC and the Energy and Policy Institute.
July 31, 2024	SEC staff publishes Question 112.01 on public utility securitizations.
Sept. 10, 2024	Eight governors write to the SEC (Exhibit H).
Nov. 10 and 13, 2024	NASUCA and NARUC adopt resolutions (Exhibit H).
May 16, 2025	SEC staff revises Question 112.01 and adds Question 112.02.
Sept. 26, 2025	The Commission publishes Concept Release No. 33-11391 and invites comment.
Dec. 1, 2025	Comment due date. The SEC continues to post comments filed after it.

[1] © 2026 Saber Partners, LLC.

[2] SEC, Division of Corporation Finance, Office of Chief Counsel, Response to MP Environmental Funding LLC and PE Environmental Funding LLC (Sept. 19, 2007) (incoming letter dated Sept. 7, 2007), https://www.sec.gov/divisions/corpfin/cf-noaction/2007/mpef091907-1101.htm.

[3] Duke Energy Florida Project Finance, LLC, Prospectus, Series A Bonds (Form 424(b)(1), June 17, 2016), https://www.sec.gov/Archives/edgar/data/1669374/000104746916013865/a2228973z424b1.htm.

[4] SCE Recovery Funding LLC, Prospectus, Senior Secured Recovery Bonds, Series 2021-A (Form 424(b)(1), Feb. 19, 2021) ("the bonds are not asset-backed securities as such terms are defined by the SEC in governing regulations Item 1101 of Regulation AB"), https://www.sec.gov/Archives/edgar/data/92103/000119312521048838/d86177d424b1.htm; Sue Sturgis, "Utility group EEI backs recovery bond reclassification that drives up electric bills," Energy and Policy Institute (Sept. 23, 2026), https://energyandpolicy.org/eei-utility-recovery-bonds-sec/ (reporting The Wall Street Journal's finding on the 2021 bonds).

[5] Sue Sturgis, "Utility group EEI backs recovery bond reclassification that drives up electric bills," Energy and Policy Institute (Sept. 23, 2026), https://energyandpolicy.org/eei-utility-recovery-bonds-sec/ ("For years before their recent reclassifications, Bloomberg and its predecessor, Barclays, classified URBs as corporate bonds.").

Date	Event
July 29, 2026	SEC staff responds to a request on data center securitizations.
Today	The question for utility recovery bonds remains open.

Sources:[6],[7],[8],[9],[10]

The SEC staff's guidance, not a rule or regulation of the SEC

Question 112.01 asks: "What is the appropriate Securities Act form to register an offering of securities that are backed by securitization property which includes the right to assess and collect certain special charges on customers' public utility bills ('public utility securitizations')?" The answer states: "Public utility securitizations that are structured as stand-alone trusts meet the definition of 'asset-backed security' ('ABS') in Item 1101(c) of Regulation AB . . . . Therefore, these securitizations must be registered on Form SF-1." It also states that "the staff has advised issuers in public utility securitizations that are structured as series trusts to register offers and sales of securities on Form SF-1," and that "such series trust issuers should refrain from making statements in their filings that they are not asset-backed issuers or that their securities are not asset-backed securities, as such statements would not be accurate."[11]

Most importantly, the SEC says these staff interpretations "are not rules, regulations, or statements of the Commission," and that they "are not binding due to their highly informal nature."[12]

On July 29, 2026, the staff told counsel for data center issuers that "the fixed-income or other securities issued in data center securitizations of the type described in your letter are not asset-backed securities."[13]

---

[6] Utility recovery bond classification by Bloomberg: NARUC, Resolution on Urging Clarification of Utility Recovery Bond Classification by the SEC to Lower the Cost to Energy Customers (Nov. 13, 2024), https://pubs.naruc.org/pub/812873F4-E348-B77F-4D75-E513FF13A86D; Sue Sturgis, "Utility group EEI backs recovery bond reclassification that drives up electric bills," Energy and Policy Institute (Sept. 23, 2026), https://energyandpolicy.org/eei-utility-recovery-bonds-sec/ (reprinted with permission in Exhibit H).

[7] SEC, Division of Corporation Finance, Asset-Backed Securities interpretations, Questions 112.01 and 112.02 (first published July 31, 2024; revised May 16, 2025), https://www.sec.gov/rules-regulations/staff-guidance/corporation-finance-interpretations-cfis/asset-backed-securities.

[8] Letter from eight governors to SEC Chair Gary Gensler (Sept. 10, 2024); NASUCA, Resolution 2024-01 (Nov. 10, 2024); NARUC resolution (Nov. 13, 2024). Copies in Exhibit H; links in the list that follows.

[9] SEC, Concept Release on Residential Mortgage-Backed Securities Disclosures and Enhancements to Asset-Backed Securities Registration, Release No. 33-11391, File No. S7-2025-04 (Sept. 26, 2025), https://www.sec.gov/files/rules/concept/2025/33-11391.pdf; SEC, "Concept Release" (public comments due Dec. 1, 2025), https://www.sec.gov/rules-regulations/2025/09/s7-2025-04; comment file, https://www.sec.gov/comments/s7-2025-04/s7202504.htm.

[10] SEC, Office of Structured Finance, Response to Latham & Watkins LLP, Data Center Securitizations (July 29, 2026), https://www.sec.gov/rules-regulations/no-action-interpretive-exemptive-letters/division-corporation-finance-no-action/certain-data-center-securitizations-072926.

[11] SEC, Division of Corporation Finance, Asset-Backed Securities interpretations, Questions 112.01 and 112.02 (first published July 31, 2024; revised May 16, 2025), https://www.sec.gov/rules-regulations/staff-guidance/corporation-finance-interpretations-cfis/asset-backed-securities, Question 112.01.

[12] SEC, Division of Corporation Finance, Corporation Finance Interpretations (CFIs) ("These interpretations reflect the views of the staff of the Division of Corporation Finance. They are not rules, regulations, or statements of the Commission. The Commission has neither approved nor disapproved these interpretations."), https://www.sec.gov/rules-regulations/staff-guidance/corporation-finance-interpretations-cfis.

[13] SEC, Office of Structured Finance, Response to Latham & Watkins LLP, Data Center Securitizations (July 29, 2026), https://www.sec.gov/rules-regulations/no-action-interpretive-exemptive-letters/division-corporation-finance-no-action/certain-data-center-securitizations-072926.

The Commission's request for comment

The Commission's request for comment in its 2025 concept release on residential mortgage-backed securities gives consumers an opening to comment directly to the SEC on rate reduction bonds.

In its 2025 concept release, the SEC states that the Commission "is publishing this concept release to solicit comments on whether to amend the asset-level disclosure requirements for residential mortgage-backed securities in Item 1125 of Regulation AB and whether to revise generally the definition of 'asset-backed security' and/or other definitions in Item 1101 of Regulation AB." The release states: "we also welcome comments on any other aspects of the ABS registration and reporting regime." It closes: "We encourage all interested parties to submit comments on the topics being considered in this concept release."[14] Comments were due December 1, 2025. The SEC has continued to post comments filed after that date.[15]

Why the classification matters to customers

The Energy and Policy Institute published a detailed article on the issue in September 2026 (Exhibit H). The Wall Street Journal had reported on it in March 2024, in connection with a private index provider.[16] The Energy and Policy Institute reported that the classification "can determine which investors can buy" these bonds. It also reported that EEI, the utilities' trade group, told the SEC it "would not support" requiring these bonds to register on corporate forms.[17]

Accounting standards hold that the charge securing these bonds is not a financial asset: "while a right to collect cash flows exists, it is not the result of a contract and, thus, not a financial asset."[18] Regulation AB defines an asset-backed security by reference to "a discrete pool of receivables or other financial assets." The bonds are reported as debt on the utility's consolidated balance sheet. CL&P's proposed order says its issuer's debt "will appear on the consolidated balance sheets of both CL&P and Eversource Energy."[19]

The Energy and Policy Institute cited The Wall Street Journal's finding that Southern California Edison's 2021 recovery bonds priced about 0.6 percentage point over comparable Treasuries, and its April 2023 bonds about 1.2 percentage points over. Spreads on other top-rated corporate bonds stayed essentially flat over the same period.[20]

---

[14] SEC, "Concept Release," overview, https://www.sec.gov/rules-regulations/2025/09/s7-2025-04; SEC, Concept Release on Residential Mortgage-Backed Securities Disclosures and Enhancements to Asset-Backed Securities Registration, Release No. 33-11391, File No. S7-2025-04 (Sept. 26, 2025), pp. 7, 46, https://www.sec.gov/files/rules/concept/2025/33-11391.pdf.

[15] Comment file, https://www.sec.gov/comments/s7-2025-04/s7202504.htm; Sturgis, "Utility group EEI backs recovery bond reclassification," Energy and Policy Institute (Sept. 23, 2026) (the SEC "has continued to post comments received since then"), https://energyandpolicy.org/eei-utility-recovery-bonds-sec/.

[16] Andrew Ackerman, "Bonds Got Relabeled. Now Millions of Americans Get Higher Electric Bills," Wall Street Journal (Mar. 28, 2024), https://www.wsj.com/finance/bonds-got-relabeled-now-millions-of-americans-get-higher-electric-bills-d765c609.

[17] Sturgis, "Utility group EEI backs recovery bond reclassification," Energy and Policy Institute (Sept. 23, 2026), https://energyandpolicy.org/eei-utility-recovery-bonds-sec/; Letter from Kristen Siegele, Edison Electric Institute, File No. S7-2025-04 (Dec. 1, 2025), in the comment file, https://www.sec.gov/comments/s7-2025-04/s7202504.htm.

[18] FASB Accounting Standards Codification 860-10-55-8, reproduced in Deloitte, Roadmap: Transfers and Servicing of Financial Assets § 2.2, https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc860-10/roadmap-transfers-financial-assets/chapter-2-scope/2-2-asset; SEC, Policy Statement: Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter, Release No. 33-8221 (Apr. 25, 2003), https://www.sec.gov/rules-regulations/policy-statements/33-8221.

[19] 17 C.F.R. § 229.1101(c)(1), https://www.ecfr.gov/current/title-17/chapter-II/part-229/subpart-229.1100/section-229.1101; Proposed Financing Order, Ex. CLP-FINANCING ORDER-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), pp. 21–23.

What it could cost CL&P's customers

On a $620.4 million issue with a 6.84-year weighted average life, each 0.10 percent of interest cost is about $4.2 million over the life of the bonds: $620.4 million × 0.10 percent × 6.84 years. These are mechanical sensitivities, not forecasts.[21]

Added interest cost	Cost over the life of the bonds (Saber estimate)	Reference
0.10 percent	$4.2 million	Sensitivity
0.25 percent	$10.6 million	Sensitivity
0.50 percent	$21.2 million	Sensitivity
0.60 percent	$25.5 million	Widening of Southern California Edison's recovery bond spread over Treasuries, 2021 to 2023, as reported by The Wall Street Journal

The pages that follow list, in date order, the filings with the SEC by the coalition and by state consumer advocates, with links.

[20] Andrew Ackerman, "Bonds Got Relabeled. Now Millions of Americans Get Higher Electric Bills," The Wall Street Journal, March 28, 2024, as reported in Sturgis, "Utility group EEI backs recovery bond reclassification," Energy and Policy Institute (Sept. 23, 2026), https://energyandpolicy.org/eei-utility-recovery-bonds-sec/.

[21] Saber estimate: $620,364,568 × added interest cost × 6.84 years (Direct Testimony of Steven Moffitt, Ex. CLP-GOLDMAN-1, PURA Docket No. 26-04-04 (Sept. 25, 2026), p. 27, Table 2). Nominal, not discounted.

Exhibit H. Energy and Policy Institute Article of September 23, 2026; Governors' Letter of September 10, 2024; and the NASUCA and NARUC Resolutions

Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04
October 20, 2026[1]

This exhibit reproduces four documents cited in the comment and in Exhibit G. The Energy and Policy Institute article is reprinted with the Institute's permission. The other three are public documents.[2]

Document	Date	Pages of this exhibit
Sue Sturgis, "Utility group EEI backs recovery bond reclassification that drives up electric bills," Energy and Policy Institute (reprinted with permission)	Sept. 23, 2026	2–5
Letter from eight governors to the SEC Chair, with its attached questions	Sept. 10, 2024	6–9
NASUCA Resolution 2024-01, Urging Clarification of Utility Recovery Bond Classification by the SEC	Nov. 10, 2024	10–11
NARUC Resolution on Urging Clarification of Utility Recovery Bond Classification by the SEC to Lower the Cost to Energy Customers	Nov. 13, 2024	12–13

The governors' letter lists three other attachments: a Wall Street Journal article of March 28, 2024, the SEC's 2007 no-action letter, and a class action complaint concerning Bloomberg. They are not reproduced here.

Exhibit G lists, with links, the comments filed with the SEC by governors, regulators and consumer advocates. The SEC's full comment file covers other topics as well.[3]

[1] © 2026 Saber Partners, LLC, for this cover page. The article that follows is © Energy and Policy Institute and is reprinted with permission. The other documents are public records of their authors.

[2] Sue Sturgis, "Utility group EEI backs recovery bond reclassification that drives up electric bills," Energy and Policy Institute (Sept. 23, 2026), https://energyandpolicy.org/eei-utility-recovery-bonds-sec/; Letter from Gov. Jared Polis et al. to Gary Gensler (Sept. 10, 2024), https://drive.google.com/file/d/13rMOfSoupTLLrWKXU6O_iPMJoz5opX_I/view, linked from Office of Gov. Jared Polis, news release (Sept. 10, 2024), https://www.colorado.gov/governor/news/colorado-governor-polis-and-fellow-governors-call-sec-take-action-save-americans-money; NASUCA Resolution 2024-01 (Nov. 10, 2024), https://nasuca.org/wp-content/uploads/2024/11/2024-01-Utility-Recovery-Bond-Classification-Resolution.pdf; NARUC Resolution (Nov. 13, 2024), https://pubs.naruc.org/pub/812873F4-E348-B77F-4D75-E513FF13A86D.

[3] SEC, Comments on Concept Release No. 33-11391, File No. S7-2025-04, https://www.sec.gov/comments/s7-2025-04/s7202504.htm.

Exhibit H. Reprinted with permission of the Energy and Policy Institute. Source: https://energyandpolicy.org/eei-utility-recovery-bonds-sec/ (published September 23, 2026; accessed October 20, 2026). Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04.

Utility group EEI backs recovery bond reclassification that drives up electric bills

By Sue Sturgis · September 23, 2026

[Photograph omitted. Original caption:] Damage in Swannanoa, North Carolina, on Oct. 1, 2024, days after Hurricane Helene hit the state. Flooding there destroyed a Duke Energy substation that had to be replaced. Duke customers are now repaying Helene and other storm costs through storm recovery bonds, and critics say the way those bonds are classified has made them more expensive. (Photo by Madeleine Cook/FEMA)

Many Americans remember the 2008 financial crisis as a story about home mortgages being bundled, sliced up, and sold to investors in ways that hid how risky those securities actually were. Those mortgage-backed securities are a specific type of "asset-backed securities," whose income payments come from a pool of underlying assets like loans, leases, or credit card balances.

Federal regulators are now arguing over whether to keep that same ABS label for a very different kind of security: the ones electric utilities issue to pay for storm damage, wildfire cleanup, coal plant closures, and other extraordinary costs.

And the trade association that represents these investor-owned utilities — the Edison Electric Institute (EEI) — wants regulators to preserve the current label, which consumer advocates say is driving up customer bills.

These bonds are known as "utility recovery bonds" (URBs), "storm recovery bonds," or "ratepayer-backed bonds." States created them more than two decades ago as a way to lower costs for utility customers. For most of their financing, utilities either borrow money, and recover that cost plus interest rates typical of corporate debt through electric rates, or they spend shareholders' money, and recover that cost plus authorized profits (typically around 10%) through rates.

Under URBs, a utility commission or state legislature authorizes a dedicated, legally protected rate on future sales of electricity, with that charge appearing on all customers' bills to repay the bonds. Unlike the utility's other rates, regulators agree to regularly adjust the URB rate to account for changes in electricity sales, customer payments, unpaid bills, and other management factors. These adjustments ensure that enough money is collected to pay bondholders in full and on time.

Because that revenue stream is unusually low risk — backed by state law as well as the utility's business operations — these URBs have historically carried some of the lowest interest rates available in the market. Lower interest costs mean lower charges on customers' electric bills.

Whether the Securities and Exchange Commission labels URBs "asset-backed securities" (ABS) or "corporate bonds" — currently the topic of an ongoing SEC comment file — might sound like mere paperwork. However, the label can determine which investors can buy the URBs, how they assess the risk, and what interest rate they demand. Ultimately those borrowing costs are paid for by electricity customers.

Many large institutional bond buyers like pension funds, mutual funds, and insurers can't hold ABS at all under their own rules, or have restrictions on the amount they can hold. Other funds track specific bond indices and stop buying once a bond drops out of the index. When fewer buyers compete for a bond, the seller has to offer a higher interest

rate to attract buyers. Since URBs are repaid through a charge on customer bills, any increase in the interest rate is passed directly to customers.

State elected officials, utility regulators, and utility consumer advocates are among those asking the SEC to abandon the current approach of classifying URBs as ABS and return to the corporate classification that had been used for them previously.

Bloomberg initiated the URB classification change

The shift toward classifying URBs as ABS began in 2022 with Bloomberg, one of several so-called "index providers" — firms that sort bonds into benchmark categories like "corporate" or "asset-backed." Informal SEC staff guidance issued in 2024 and 2025 reinforced the shift, which narrowed the investor pool for these bonds and pushed up their interest rates. For years before their recent reclassifications, Bloomberg and its predecessor, Barclays, classified URBs as corporate bonds. SEC staff also supported non-ABS treatment since at least 2007 through a specific analysis and legal conclusion that remains available on the SEC's website.

The SEC has not opened a formal rulemaking on the URB classification question. The matter is instead before the agency through a broader concept release on securitization regulation issued in September 2025 involving residential mortgage-backed securities. The public comment file has become the forum for the URB fight. Meanwhile, the 2024 and 2025 staff interpretations remain in place as informal guidance. Though the concept release page says public comments were due Dec. 1, 2025, the SEC has continued to post comments received since then.

The SEC recently took the opposite position on bonds for building AI data centers. On July 29, 2026, the agency's Office of Structured Finance — which is also handling the URB question — told the law firm Latham & Watkins that securitizations backing data centers fall outside the ABS definition, keeping that market open to the full range of institutional investors. This means financing for Wall Street's AI build-out is getting easier terms than financing for storm and wildfire recovery costs that utility customers have no choice but to pay.

Prominent state leaders have weighed in against classifying URBs as ABS. In September 2024, a group of eight governors, seven of whom remain in office — Gavin Newsom of California, Jared Polis of Colorado, J.B. Pritzker of Illinois, Maura Healey of Massachusetts, Gretchen Whitmer of Michigan, Michelle Lujan Grisham of New Mexico, and Kathy Hochul of New York — along with Roy Cooper of North Carolina, who left office in January 2025 and is now running for U.S. Senate, wrote to the SEC to make a case against the ABS label:

> Classification of utility recovery bonds as "asset-backed securities" defies common sense, harms millions of electricity consumers, and provides no clear investor protection benefit. Utility recovery bonds are in no way like asset-backed securities such as credit card bonds, collateralized debt obligations, or any asset-backed security such as those that were problematic during the financial crisis. … Sometimes taking a little from a lot of people doesn't get noticed and therefore no one may seem to care. But governors and regulators do care.

Two months later, the National Association of Regulatory Utility Commissioners and the National Association of State Utility Consumer Advocates passed resolutions opposing ABS classification of URBs. State consumer advocates including Donald Kreis of New Hampshire, Michael Angelo of Hawaii, and Mark Poston of Missouri have individually filed comments with the SEC citing the NASUCA and NARUC resolutions. In addition, former chairs of the Colorado and Texas public utility commissions, Ron Lehr and Rebecca Klein, have filed comment letters opposing the reclassification.

There's also an active lawsuit over the reclassification. In June 2024, a group of Texas and California utility customers sued Bloomberg L.P. and Bloomberg Index Services Ltd. in the U.S. District Court for the Southern District of New

York; *Skolarus et al. v. Bloomberg, L.P.*. alleges that Bloomberg's URB reclassification manipulated the bond market to benefit its institutional customers at the expense of electricity customers. A district court dismissed the lawsuit in September 2025 under the filed rate doctrine, a legal principle that presumes that rates set by a utility regulator are reasonable. The suit is now on appeal to the U.S. 2nd Circuit Court of Appeals, where oral arguments were heard on May 4, 2026.

EEI backs costlier classification without directly saying so

At a glance, EEI's comment to the SEC could be mistaken for a technical submission on the narrow question of what forms URB issuers use to register the bonds for public sale, staying out of the thick of the classification fight. But beginning in 2024 the SEC has treated the offering form and classification questions as inseparable.

Under the SEC's registration structure, securities determined to be ABS typically use ABS-specific forms, and those determined to be corporate typically use corporate forms. For URBs, though, the SEC appears to have concluded that securities using ABS-specific forms must be ABS — even when the security doesn't meet the definition. As a result, asking the SEC to keep URBs on ABS forms is asking it to keep URBs classified as ABS.

EEI's letter, submitted to the SEC on Dec. 1, 2025 and signed by Kristen Siegele, the group's former executive director for government relations, doesn't argue that the ABS label is correct. In fact, it takes no outright position on what URBs are. Instead, it argues on procedural grounds that the SEC should not require URBs to be classified differently than they now are, stating plainly that it "would not support" requiring URBs to register on corporate forms.

The objections EEI raises relate to the burden of another procedural switch and not the substance of the classification question. EEI says third-party reviewers would likely need to issue "comfort letters" verifying the utility's financial statements, creating an extra cost for utilities that doesn't currently exist for URB deals. In addition, EEI cites that corporate issuers are typically barred from selling securities during blackout windows tied to the financial reporting calendar. Yet these are the same conditions under which utilities sell every other SEC-registered bond they publicly offer for sale; their first mortgage bonds and holding-company notes come to market on corporate registration forms, with comfort letters, inside the reporting calendar, as routine practice. What EEI describes as a burden is the standard disclosure regime its members meet every time they borrow in the public capital markets — except for these URBs.

Nowhere in its letter does EEI dispute — or even mention — critics' central claim: that keeping URBs on ABS forms is measurably widening the pricing gap between URBs and comparable corporate debt, at ratepayer expense.

Critics have answered EEI's procedural argument on the record. A supplemental legal analysis filed by the law firm Orrick, Herrington & Sutcliffe, along with a previous analysis by Winston Strawn, argue that EEI's letter and another from American Bar Association committees making a similar argument fail to engage at all on the legal question of whether URBs meet the statutory definition of an ABS.

EEI did not respond to a request for comment.

What experts say ABS classification means for utility customers

One of the leading voices challenging the reclassification of URBs as ABS is Joseph Fichera, CEO of Saber Partners, a financial advisory firm that has represented state commissions and consumer advocates structuring, marketing, and pricing URB deals for more than two decades. His firm has estimated that the URB reclassification has cost electric customers nationwide roughly $4 billion in additional interest expense since 2022. That analysis appears in a December 2025 comment letter filed with the SEC.

Hyman Schoenblum, a former treasurer of Consolidated Edison of New York and a senior advisor to Saber Partners, said in an SEC filing in support of the governors that URBs function like secured corporate utility bonds. Classifying them as ABS, he says, restricts the pool of potential investors and raises borrowing costs for customers. He describes the unnecessary borrowing costs created by ABS classification as "junk fees" imposed on some of the highest-quality securities that utilities can offer.

The so-called "junk fee" or pricing penalty has also been evaluated in peer-reviewed literature. An April 2025 analysis in the journal Nature Energy — whose lead authors were Fichera and Paul Sutherland, former assistant treasurer for Florida Power & Light — reported URB credit spreads over U.S. Treasuries and AAA benchmarks of roughly 18 basis points for bonds issued from 2016 through 2021, rising to about 74, 76, and 51 basis points in 2022, 2023, and 2024, after reclassification. The analysis estimated that the mispricing adds roughly 3 to 11% to the total cost of the affected financings.

Using the maturity-matched approach behind its national estimate, Saber Partners has also analyzed Duke Energy's storm recovery bonds in North Carolina, where in 2019 the legislature authorized utilities to securitize storm costs through Senate Bill 559. Saber's tranche-by-tranche analysis of those URBs, issued in 2021 and 2025, finds that the reclassification has cost Duke's North Carolina customers an extra $77.8 million compared to similarly rated corporate bonds.

In March 2024, the Wall Street Journal conducted its own review of URB transaction data using Federal Reserve numbers to compare Southern California Edison's URB pricing before and after Bloomberg's 2022 reclassification. The Journal focused on a tranche of SCE URBs sold in 2021, before the reclassification, and a similar set sold after the change in 2023.

SCE's 2021 URBs were priced at about 0.6 percentage points above comparable U.S. Treasury obligations, while its April 2023 URB offering was priced at roughly 1.2 percentage points above. Spreads on other top-rated corporate bonds stayed essentially flat over the same period.

With hurricane and wildfire seasons underway and more URBs ahead, the basis-point gap is not just an abstraction for ratepayers who will have to foot the bill for grid rebuilding: It's the difference between paying for more expensive ABS-classified bonds to rebuild the grid after catastrophes, versus paying a cheaper rate if the label reverted to corporate.

Tags: asset-backed securities, bloomberg, California, EEI, Hurricane Helene, NARUC, NASUCA, North Carolina, ratepayer backed bonds, Securities and Exchange Commission, securitization, storm recovery bonds, utility recovery bonds. © Energy and Policy Institute. Reprinted with permission.



September 10, 2024

Gary Gensler
Chairman
U.S. Securities & Exchange Commission
100 F St N. E.
Washington, DC 20549

Dear Chairman Gensler,

As a group of eight Governors, we urgently ask that the Securities and Exchange Commission (SEC) address the problematic reclassification of utility recovery bonds by index providers such as Bloomberg and now as suggested by SEC Division of Corporation Finance staff[1]. These reclassifications significantly increase utility borrowing costs, which in turn raises electric rates for millions of American households. To date, the cumulative effect has already imposed substantial costs on electricity consumers—the attached Wall Street Journal article dated March 28, 2024 contains analysis that the impact may be as high as $3 billion in additional costs over the life of the bonds. This issue directly pertains to one of the SEC's core missions: to "maintain fair, orderly, and efficient markets." We urge you to swiftly move to provide that utility recovery bonds are, in fact, corporate bonds, not complex and therefore expensive asset-backed securities.

Utility recovery bonds are authorized by specific state legislation. These bonds, also referred to as "ratepayer-backed bonds", "securitization bonds," or "stranded cost bonds[2]," are essential financial tools for regulated utilities to finance climate adaptation, asset retirements, and disaster recovery measures. Due to specific state legislative and regulatory support, as well as federal constitutional protections, utility recovery bonds achieve the highest possible credit ratings (AAA/Aaa), directly lowering the cost of capital for regulated utilities, and therefore minimizing utility customer costs as compared to other forms of financing.

Many of our state legislatures have passed enabling legislation for investor-owned utilities to use this type of financing, or are actively contemplating it. In states where this kind of financing is permissible, and a state-regulated utility proposes a recovery bond that is approved by their regulator, these bonds have binding priority rights to certain utility revenues or surcharges and are thus much lower risk than other utility debt offerings, let alone any asset-backed securities. By definition these bonds ensure that a specific

[1] See Section 112. Form SF-1 112.01 Form Eligibility for Public Utility Securitizations https://www.sec.gov/about/divisions/corpfin/guidance/asset-backed-securities, as updated July 31, 2024.

[2] This was the term previously used by SEC Commission staff but as of July 31 they now call them" public utility securitizations".

portion of customer rates – irrespective of the current or future owner/operator of the regulated utility– will pay back the bond. This is just another form of utility finance regulated by the states, which provides additional certainty for lenders, utilities, and their customers. Bloomberg and now the SEC staff's interpretations hurt our state regulators' ability to protect consumers by raising the cost of capital through reclassification.

Classification of utility recovery bonds as "asset-backed securities" defies common sense, harms millions of electricity consumers, and provides no clear investor protection benefit. Utility recovery bonds are in no way like asset-backed securities such as credit card bonds, collateralized debt obligations, or any asset-backed security such as those that were problematic during the financial crisis. Any similarity to asset-backed securities is superficial and not substantive for the purposes of the chosen SEC disclosure regime.[3] Sometimes taking a little from a lot of people doesn't get noticed and therefore no one may seem to care. But governors and regulators do care.

It is important to note that the SEC has never made a formal rule or regulation on this issue and instead has been directed through staff interpretations. The staff's unexpected July 31 announcement and its interpretation about different definitions of asset-backed securities under the '34 Act and Regulation AB did not offer notice or public comment period, as is standard for rules and regulations. Moreover, the interpretation did not consider the effect on electricity consumers. It remains unclear why the announcement was made or how utility recovery bonds meet any definition of asset-backed securities. Staff appears to elevate, literally, SEC filing forms over substance without regard to the public interest.

With billions of dollars more recovery bonds being issued in the near future, affecting many millions of Americans and their electricity bills, this issue is more important and pressing than ever. We believe that accurate classification and regulatory clarity are essential to serving the public interest. This enables markets to set interest rates on these bonds efficiently without paying the penalty associated with asset-backed securities like mortgages, credit card and auto loan bonds. We urge you to have the SEC staff provide that utility recovery bonds are, in fact, corporate bonds, not complex asset-backed securities.

We would like the opportunity to have our utility regulators and their experts discuss these issues with you. More specifically, we have attached a list of questions that will help us understand whether additional legislation is necessary at the state or federal level, as well as how SEC staff interpretations of SEC rules and regulations serve the SEC mission for efficient capital markets and investor protection. We will contact your office to arrange a meeting concerning these questions.

We hope you share our concern that mislabeling risks slowing down the pace of and raising the cost of critical priorities, including supporting our utilities and communities in recovering from extreme weather, lowering utility costs for all customers, and speeding up the deployment of new energy technologies.

Sincerely,



Governor Jared Polis
State of Colorado

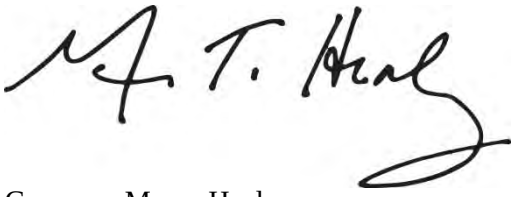


Governor Gavin Newsom
State of California

[3] Previously, in 2007, West Virginia regulators and utilities made the common sense case to the SEC. The SEC staff directly addressed this issue in a no-action letter and legal conclusion. Notably this was after accepting registration on corporate Form S-1 for new corporate offerings. In that letter (also attached), they cited a clear exemption for utility recovery bonds but focused on bonds issued based on a 2004 rule for so-called "series trusts." This was a critical reference point for these discussions until July 31, 2024, when the SEC Division of Corporation Finance staff provided new guidance.



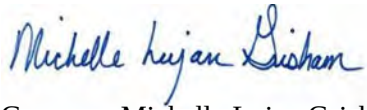
Governor JB Pritzker
State of Illinois



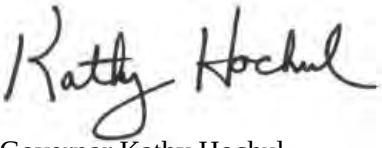
Governor Maura Healey
State of Massachusetts



Governor Gretchen Whitmer
State of Michigan



Governor Michelle Lujan Grisham
State of New Mexico



Governor Kathy Hochul
State of New York



Governor Roy Cooper
State of North Carolina

Attachments:

-Specific questions for discussion with SEC Chair Gensler re: utility bond classification and the public interest

- Bonds Got Relabeled. Now Millions of Americans Get Higher Electric Bills. After Bloomberg reclassified certain utility bonds, borrowing costs rose, The Wall Street Journal, March 28, 2024

- SEC 2007 No Action Letter and Legal Conclusion

- Class action lawsuit regarding Bloomberg LP and Bloomberg Index Services Limited

CC:

Commissioners Hester M. Peirce, Caroline A. Crenshaw, Mark T. Uyeda, Jaime Lizárraga

State Governors and Utility Regulatory Commissions

National Association of Regulatory Utility Commissioners (NARUC)

National Association of State Utility Consumer Advocates (NASUCA)

Edison Electric Institute (EEI)

Specific questions for discussion with SEC Chair Gensler re: utility bond classification and the public interest

1. The SEC sought comment in 2022 on whether index providers should be regulated as investment advisors, but the issue appears to have dropped from the SEC's regulatory agenda. Why?
2. Does the SEC need added legislative or regulatory tools to effectively oversee index providers, whose decisions negatively affect market efficiency and consumer costs? If so, what specific measures would you recommend?
3. Can you explain the timing of the July 31, 2024 SEC Division of Corporate Finance staff interpretation and assertion about the differing asset backed securities definitions—17 years after the 2007 no-action letter and just weeks after a lawsuit challenging Bloomberg's reversal of its non-asset-backed securities classification of recovery bonds?
4. Please provide an explanation, not just a conclusion, of how utility recovery bonds meet any definition of asset-backed securities and how this is in the public interest and not just the administrative convenience of staff; an explanation is currently absent from the July 31 Division of Corporate Finance interpretation. With billions of dollars more recovery bonds being issued in the near future, affecting many millions of Americans and their electricity bills, this issue is more important and pressing than ever.
5. The SEC Office of Chief Accountant and Financial Accounting Standards Board (FASB) require the bonds to be listed as corporate debt of the utility. The Internal Revenue Service in a specific revenue procedure recognizes the bonds as corporate debt for income tax purposes. Our utilities register their other debt on corporate forms S-3 providing full disclosure to investors. Utility recovery bonds are paid from the same base of consumers as other utility bonds but with a newly created finance subsidiary with special protections granted by our state legislature and regulators. What are the reasons not to allow utilities to register these bonds as they do all their other bonds on their balance sheet? Consistent use of utility disclosure would provide investors with more information. This approach would give investors more information and help ensure that these utility recovery bonds are recognized consistently as corporate bonds and provide investors with the broadest possible market and lowest cost to customers.

NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES

Resolution 2024-01

Resolution Urging Clarification of Utility Recovery Bond Classification by the SEC

Whereas regulated utilities authorized by specific state legislation use utility recovery bonds, also referred to as "ratepayer-backed bonds," "utility securitization bonds," or "stranded cost bonds," to help finance critical projects such as climate adaptation, disaster recovery, and asset retirement without adding to utility rate base or waiting for traditional rate recovery processes;

Whereas state legislation authorizing utility recovery bonds provides unique protections not available to investors in other types of corporate bonds, including the right to charge and collect all of the revenue from irrevocable non-bypassable charges from electric service customers in the issuer's territory regardless of what entity serves those customers and the right to periodic true-ups of such charges to ensure adequate funds are available to make all required payments to holders of utility recovery bonds;

Whereas these legislative provisions have allowed utility recovery bonds to achieve the highest possible credit ratings (AAA/Aaa), thereby reducing costs for utility customers compared to traditional utility financing;

Whereas since June 2016 through August 2022, the bonds were recognized as corporate utility bonds by Barclays Index Services, the predecessor to Bloomberg Index Services, Ltd. (Bloomberg), which greatly expanded the potential market for and competition among investors for the bonds, which leads to lower borrowing rates;

Whereas in August 2022, Bloomberg reclassified utility recovery bonds as "asset backed securities," and, in July 2024, an interpretation by the staff of the SEC Division of Corporation Finance on Form SF-1 eligibility for utility recovery bonds may imply a similar reclassification;

Whereas there is no evidence that Bloomberg's action or any similar reclassification by the SEC is or would be reflective of the inherent credit quality and investment risk of the utility recovery bonds;

Whereas Bloomberg's reclassification has restricted the pool of potential investors for utility recovery bonds and, despite the continued high credit ratings of the bonds, unnecessarily increased utilities' borrowing costs, resulting in higher electric rates for millions of American households;[1]

[1] The issue is explained in a March 24, 2024, Wall Street Journal article entitled "Bonds Got Relabeled. Now Millions of Americans Get Higher Electric Bills," that provides the following example of the implications of reclassification:

Whereas there is no evidence that the bill impact on electricity consumers was considered when Bloomberg reclassified utility recovery bonds as asset-backed securities or when the SEC Division of Corporate Finance changed its guidance on the appropriate Securities Act form for registering utility recovery bonds;

Whereas the Governors of eight states have signed a letter detailing the implications of the treatment of utility recovery bonds as asset-backed securities and requesting the Chairman of the SEC to act in the public interest and to answer questions and otherwise address the problematic reclassification by Bloomberg and unexplained suggested guidance by SEC staff of utility recovery bonds;[2]

Now, therefore be it resolved, that NASUCA urges index providers and the SEC to reconfirm classification of utility recovery bonds as corporate bonds or otherwise in a way that accurately reflects their exceedingly low risk, thus preventing unnecessary increases in electricity costs for consumers in states that use this form of financing.

Be it further resolved, that NASUCA authorizes its Executive Committee to develop specific positions and take appropriate actions, consistent with the terms of this resolution and the needs of its Members and their utility consumers. The Executive Committee shall notify the membership of any action pursuant to this resolution.

Submitted by the NASUCA Accounting and Finance Committee

Approved by the Membership
November 10, 2024
Anaheim, California

Abstained:

South Carolina ORS

North Carolina AG

> In the May offering that started the fight, PG&E got a spread of about 1.60 percentage points above corresponding U.S. Treasury rates, while triple-A-rated corporate bonds issued by Johnson & Johnson were trading at a spread of 0.88 percentage point. On a similar offering in July, the utility's borrowing costs shot up to 1.95 percentage points above Treasurys, while the spread of Johnson & Johnson bonds to Treasurys narrowed to 0.69 percentage point. *See* https://www.wsj.com/finance/bonds-got-relabeled-now-millions-of-americans-get-higher-electric-bills-d765c609

[2] *See* letter at https://saberpartners.com/wp-content/uploads/2024/10/2024.09.10-FINAL-Governors-to-SEC-re-utility-recovery-bond-classification.pdf (attachments omitted).

CPI – 2 Resolution on Urging Clarification of Utility Recovery Bond Classification by the SEC to Lower the Cost to Energy Customers

Whereas utility recovery bonds, also referred to as 'ratepayer-backed bonds,' ' utility securitization bonds,' or 'stranded cost bonds,' are financial tools authorized by specific state legislation to help regulated utilities finance critical projects such as climate adaptation, disaster recovery and asset retirement;

Whereas many states have passed enabling legislation for regulators and investor-owned utilities to use this type of financing, and other states are actively contemplating it;

Whereas these bonds receive the highest credit ratings (AAA/Aaa) from their state legislative, regulatory, and federal constitutional protections, which are designed to reduce costs for utility customers, offering a more efficient financing method compared to traditional utility financing;

Whereas utility recovery bonds have advantages for consumers and utilities by reducing the immediate financial burden of large utility costs; realizing lower ratepayer costs of capital: lowering utility credit risk; providing more predictable and stable utility bills; and enabling utilities to access large amounts of capital for significant projects without waiting for traditional rate recovery processes.

Whereas high inflation has resulted in energy rates increasing over the last five years by over 24 percent cumulatively, and that utility recovery bonds have lowered costs for many customers over the same period;

Whereas utility recovery bonds are fundamentally different from asset-backed securities (*e.g.,* credit card bonds, collateralized debt obligations, etc.) such as those that were problematic during the financial crisis of 2008-09 in terms of the issuer type, the nature of the collateral backing, the role of the state and regulators, the risk of the underlying assets, and the source and use of funds;

Whereas since the bonds were first used by regulators and utilities, the Internal Revenue Service (IRS) recognizes the bonds as corporate debt of the parent utility and the Financial Accounting Standards Board, as well as the Securities Exchange Commission (SEC) Office of Chief Accountant have treated the bonds as corporate debt on the consolidated balance sheet of the parent utility;

Whereas from June 2016 through August 2022, the bonds were recognized as corporate utility bonds by Barclays Index Services the predecessor to Bloomberg Index Services, Ltd. which greatly expanded the potential market for and competition among investors for the bonds which leads to lower borrowing rates:

Whereas in August 2022 Bloomberg Index Services Ltd reclassified utility recovery bonds as “asset backed securities” and in July 2024 an interpretation by the staff of the SEC Division of Corporation Finance may imply a similar reclassification.

Whereas these reclassifications (i) are contrary to a common sense understanding of the bonds and lack any investor protection benefit or rationale on how these bonds meet the definition of asset-backed securities and (ii) will severely limit the market for utility recovery bonds, negatively affect investors perception of the complexity and risk of the bonds and therefore lead to inefficient market outcomes by directly increasing utilities' borrowing costs, resulting in higher energy rates for millions of American households;

Whereas the actions of reclassifying utility recovery bonds as asset-backed securities have not sufficiently considered the impact on energy consumers, and do not align with the principles of serving the public interest; *and*

Whereas the Governors of eight states have signed a letter requesting the SEC Chairman act in the public interest and to address this problematic reclassification of utility recovery bonds by index providers and staff interpretations; *now, therefore be it*

Resolved that the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its 2024 Annual Meeting and Education Conference in Anaheim, California, urge index providers and the SEC to clarify that utility recovery bonds should be classified as corporate bonds, not asset-backed securities, for purposes of Regulation AB or for purposes of the Securities Exchange Act of 1934 to prevent unnecessary increases in energy costs for consumers in states that choose to use this form of financing and to maintain fair and efficient markets as per the SEC's mission.

Sponsored by Consumers and Public Interest Committee
Adopted by the NARUC Board of Directors on November 13, 2024

Exhibit I. Saber Partners Summaries of the Request to the SEC (August 19, 2026) and Asset-Backed Alert Report (September 11, 2026)

Public Comment of Saber Partners, LLC, PURA Docket No. 26-04-04
October 20, 2026[1]

This exhibit reproduces three documents on the request by governors, regulators and consumer advocates that the SEC treat utility recovery bonds as corporate bonds. Saber prepared the first two in August 2026. The third is a trade press report of September 11, 2026.[2]

Document	Date	Pages of this exhibit
Saber Partners, LLC, "Equal Treatment Sought for Electricity Ratepayers: Utility Recovery Bonds to Lower Costs," SEC–Electric Affordability Regulatory Alert	Aug. 19, 2026	2–4
Saber Partners, LLC, "21 Questions About the SEC's Unequal Treatment of Utility Recovery Bonds: Why Ratepayers Deserve the Same Treatment as Data Centers" (Frequently Asked Questions)	Aug. 19, 2026	5–11
"States Renew Push To Reclassify Utility Bonds," Asset-Backed Alert (Green Street News), pp. 1 and 17	Sept. 11, 2026	12–13

The cost figures in the first two documents are Saber estimates from its database of utility recovery bond offerings. Deal-level detail and methodology are available on request.

Exhibit G lists, with links, the comments filed with the SEC by governors, regulators and consumer advocates. The SEC's full comment file covers other topics as well.[3]

[1] © 2026 Saber Partners, LLC, for this cover page. The article that follows is © Energy and Policy Institute and is reprinted with permission. The other documents are public records of their authors.

[2] Sue Sturgis, "Utility group EEI backs recovery bond reclassification that drives up electric bills," Energy and Policy Institute (Sept. 23, 2026), https://energyandpolicy.org/eei-utility-recovery-bonds-sec/; Letter from Gov. Jared Polis et al. to Gary Gensler (Sept. 10, 2024), https://drive.google.com/file/d/13rMOfSoupTLLrWKXU6O_iPMJoz5opX_I/view, linked from Office of Gov. Jared Polis, news release (Sept. 10, 2024), https://www.colorado.gov/governor/news/colorado-governor-polis-and-fellow-governors-call-sec-take-action-save-americans-money; NASUCA Resolution 2024-01 (Nov. 10, 2024), https://nasuca.org/wp-content/uploads/2024/11/2024-01-Utility-Recovery-Bond-Classification-Resolution.pdf; NARUC Resolution (Nov. 13, 2024), https://pubs.naruc.org/pub/812873F4-E348-B77F-4D75-E513FF13A86D.

[3] SEC, Comments on Concept Release No. 33-11391, File No. S7-2025-04, https://www.sec.gov/comments/s7-2025-04/s7202504.htm.

August 19, 2026

Equal Treatment Sought for Electricity Ratepayers Utility Recovery Bonds to Lower Costs

In Brief: The Request Pending Before the SEC's Division of Corporation Finance

Background

A coalition of governors, NARUC, and NASUCA has asked the SEC to reverse its reclassification of ratepayer-backed bonds (also known as utility recovery bonds, storm bonds, etc.) from corporate bonds to "asset-backed securities," a label that restricts the market and leads to substantially higher financing costs. The total costs from 2022 to date is estimated at $4,2 billion and is likely to grow as more issues with longer maturities are offered.

What happened

On July 29, 2026, the data-center industry and its hyperscaler customers obtained exactly the relief of the ABS label, and other restrictions imposed after the 2008-09 financial crisis, for their own bonds.

The SEC staff determined that data-center securitizations a roughly $50 billion market now but expected to ballon for financing the AI buildout — are not "asset-backed securities."

The data centers sought it for the same reason ratepayers have to escape the ABS label and allows their bonds to sell – without ABS restrictions - in the broader, corporate bond market. That market is roughly five times the size of the asset-backed market — **which lowers the cost of capital.**

What it means for ratepayers

Utility recovery bonds, the AAA-rated bonds states authorize to lower electric bills after storms, wildfires, and plant retirements, still carry the ABS label, and it still costs more money than the corporate bond label. Electricity customers pay every dollar of that added cost.

The test the staff applied to data centers fits utility recovery bonds even more cleanly. Same test, easier facts: the answer should be the same.

What is being asked

A letter prepared for the state officials leading this effort (following the September, 10, 2024 letter from a coalition of governors and subsequent NARUC and NASUCA supporting resolutions) asks the SEC staff to apply its own test even-handedly and confirm that utility recovery bonds are not asset-backed securities.

It takes no issue with the data-center decision. It seeks no revocation of anyone's relief. It requires no rulemaking, only the same process the staff just completed, applied to a simpler set of facts.

For those who want the detail

The staff's reasoning

The data-center bond pools include customer leases and contracts — assets commonly associated with securitization. The staff still concluded the bonds are not ABS because payments to investors do not "depend primarily on cash flow from the [collateralized] asset"; the cash available "also depends on the effectiveness of the operator or manager." In short: when repayment turns on

running a business, the bonds are corporate in substance, whatever sits in the pool.

The common principle, in one sentence: both securities are serviced by cash flow generated by actively-managed business and operating assets — not by assets that convert into cash by their terms.

The securitization bar reads it the same way. Seward & Kissel: the collateral "is not self-liquidating" because payments depend on "net operating cash flow and on the operator's continuing ability to win and retain customers." Akin Gump: the analysis turns on "whether investors are exposed to operating data center assets rather than solely a pool of self-liquidating financial assets."

Why utility recovery bonds are the easier case.

- Their collateral contains no loans, leases, or receivables at all — only a regulatory right to charge for electricity as it is delivered and billed. Nothing converts into cash by its terms.
- Repayment depends entirely on the utility's ongoing operations — producing, delivering, and billing for electricity — with charges periodically reset through the regulator-approved true-up.
- They were SEC-registered as corporate securities from the first offering in 1997 and reported on Forms 10-K and 10-Q for nearly two decades; data-center issuers, by contrast, complied with ABS rules only "out of an abundance of caution" in unregistered private deals.

The request, precisely

Revise the staff's July 31, 2024 and May 16, 2025 Corporation Finance Interpretations (CFIs) and confirm that utility recovery bonds are not asset-backed securities under Section 3(a)(79) of the Exchange Act, because they are not collateralized by self-liquidating financial assets — using the same process that produced the July 29 data-center letter.

See also: Frequently Asked Questions: 21 Questions SEC's Unequal Treatment of Utility Recovery Bonds

August 19, 2026

Prepared by Saber Partners LLC | ©Copyright August 2026

21 Questions About the SEC's Unequal Treatment of Utility Recovery Bonds
Why Ratepayers Deserve the Same Treatment as Data Centers

Introduction

Utility recovery bonds have been used to storm damage, wildfire costs, and plant retirements. Without them, customers would repay storm and wildfire costs perhaps over just three to five years; plant retirements and other hard assets can take longer and a traditional utility cost of capital. In 2007 and 2009, for example, 20-year URBs financed pollution-control improvements that would otherwise be recovered over a comparable period.

URBs have existed since 1997 — 119 offerings totaling $97 billion — and have never defaulted. Roughly $43 billion are outstanding as of August 17, 2026.[1]

Billions more are expected and the bonds may be used for grid improvement and other hard asset costs that will go on the customers' bill. Data centers are financing too.

1. What is a utility securitization and a utility recovery bond?

A utility recovery bond (URB) — sometimes called a ratepayer-backed bond — is a bond a state authorizes a utility to sell when a large one-time cost hits the electric system. The bond proceeds cover that cost up front. The utility then repays the bonds over many years from a dedicated portion of its future operating revenues — the money customers pay through their monthly electric bills. In effect, state regulators let the utility spread a large one-time cost over many years at the lowest possible interest rate. This financing is called a utility securitization, and the bonds it produces are typically rated AAA/Aaa.

URBs exist for one purpose: lowering electric bills. Electricity customers pay every dollar of financing costs. Utilities pay none.

2. What is the debate over URBs and data center bonds given that the SEC has just given favorable treatment to the data center sponsors ?

Whether the ratepayer-backed utility recovery bonds will be treated as corporate bonds or asset-backed securities, and who pays for the wrong answer.

Corporate bonds are the debt of companies — utilities, railroads, manufacturers — repaid from the company's business revenues. Asset-backed securities (ABS) are bonds backed by pools of loans, leases that pay themselves off overtime like mortgages, credit cards, and auto loans. The classification matters because it determines which investors can buy the bonds, how they are distributed, and ultimately the interest rate investors demand.

From their first issuance in 1997, utility recovery bonds were treated as corporate securities. That changed in 2024. Fifty-four days after a class action lawsuit on behalf of ratepayers was filed against Bloomberg Index Services for reclassifying URBs from corporate to asset-backed securities, the SEC staff unexpectedly issued new guidance also treating them as asset-backed securities. Since September 2024, a coalition representing electricity ratepayers (including governors, state utility regulators, and consumer advocates — see Question 13) has asked the SEC to restore their traditional corporate treatment.

[1] Saber Partners LLC, URB Master Database August 2026 — outstanding balances measured from deal-level sinking-fund schedules as of August 17, 2026

Now there is an important inconsistency. SEC staff has concluded that certain data center securitizations are *not* asset-backed securities, even though it continues to treat utility recovery bond securitizations as ABS.

That raises straightforward questions:

> *Why should data center sponsors receive more favorable securities-law treatment than millions of electricity customers whose bonds are backed by state law, regulated utility charges on future operating revenues and are typically rated AAA/Aaa?*
>
> *Why should millions of electricity customers pay higher interest rates when URBs have the same defining characteristics as data centers?*

3. What did the SEC do on July 29 for data centers but not for ratepayers?

The SEC staff concluded in writing that securities issued in certain data center securitizations "are not asset-backed securities as defined in section 3(a)(79) of the Securities Exchange Act of 1934."[2] The letter covers a roughly $50 billion private bond market financing the AI buildout.[3] That market is growing fast: annual issuance rose from $2.4 billion in 2020 to $15.5 billion in 2025, and 2026 is on pace for a record.[4] Barclays Research projects $180 billion outstanding by year-end 2028 — roughly triple today's market.[5]

4. How did the market react?

As a clear win for data centers. Reuters reported that the SEC "exempts certain data center bonds from key securitization rules" as "soaring demand for AI computing has pushed companies to seek new ways to raise capital."[6]

InvestmentNews wrote that the exemption "clears [the] path for more data center asset-backed bonds."[7] That headline is not a contradiction — "asset-backed" survives as the market's nickname even though, under the law, the bonds no longer are. The nickname stayed; the legal label, and the rules and interest rates that come with it, changed. Latham & Watkins, the firm that obtained the letter, headlined it "*Regulatory Clarity for Data Center Securitizations*."[8] The relief came by a staff-level letter — no rulemaking, no Commission vote. That is the same instrument the coalition asks the staff to use for utility recovery bonds on substantially the same reasoning. Twelve days later NVIDIA announced financing platforms with six of the largest asset managers to mobilize more than $500 billion for AI data centers, and CNBC tied the announcement directly to the July 29 letter.[9]

---

[2] SEC Division of Corporation Finance, no-action response, Latham & Watkins LLP — Data Center Securitizations (July 29, 2026) (Kayla Roberts, Chief, Office of Structured Finance).

[3] Morgan Stanley Research, *Bridging a $1.5 Trillion Data Center Financing Gap* (roughly $50 billion of securitized issuance to date, backed by about 10% of U.S. data center capacity).

[4] Leo Almazora, *"SEC exemption clears path for more data-center asset-backed bonds,"* InvestmentNews (Aug. 11, 2026) (issuance figures per cited market data).

[5] Morgan Stanley Research, above ($150 billion of projected data-center ABS/CMBS issuance through 2028, within approximately $2.9 trillion of global data-center capital spending); Structured Finance Association, Research Corner: How Data Center ABS and CMBS Fit in a Broader Financing Ecosystem (July 23, 2026), citing Barclays Research.

[6] Reuters, *"US SEC exempts certain data center bonds from key securitization rules"* (Aug. 10, 2026).

[7] Almazora, "SEC exemption clears path for more data-center asset-backed bonds," InvestmentNews (Aug. 11, 2026), cited above.

[8] Latham & Watkins LLP, "Latham Letter Delivers Regulatory Clarity for Data Center Securitizations" (2026).

[9] *"NVIDIA Partners With Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs and KKR to Establish AI Compute Infrastructure Financing Platforms to Mobilize Over $500 Billion of Third-Party Capital"* (Aug. 10, 2026); *"Nvidia financing*

5. Why did the data center industry want its bonds declared "not asset-backed securities" by the SEC staff?

For the money — a lower cost of capital. The label — the investment classification a bond carries, corporate or asset-backed — determines which market the bonds sell into, and the two markets are not the same size. U.S. corporate bonds outstanding total $11.4 trillion; the corporate market is roughly five times the size of the ABS market.[10] A bigger market means more buyers competing for the bonds, and more competition means a lower interest rate.

The corporate label also unlocks buyers the ABS label shuts out. Many institutional investment policies prohibit ABS outright or cap ABS holdings tightly while permitting corporate bonds without limit. The JPMorgan Corporate Bond Fund, for example, excludes ABS from its portfolio.[11] Retail investors face the same walls through fund mandates. The corporate label also removes a set of post-2008 compliance rules built for a different kind of security; the industry's own lawyers said they had complied with those rules only "out of an abundance of caution."

Data centers sought the corporate label for the same reason states created utility recovery bonds. State securitization statutes and financing orders routinely require that URBs be structured to achieve the lowest cost to customers consistent with market conditions. What the data center industry just won for its sponsors — access to the broadest, deepest, cheapest market — is what state law has demanded for electricity ratepayers all along.

6. Why does the same reasoning apply to utility recovery bonds?

The SEC staff's test was how the bonds are repaid. Data-center bonds passed because bond payments do not "depend primarily on cash flow from the [self-liquidating financial] asset" but "also depend[] on the effectiveness of the operator or manager."[12]

According to nationally recognized independent counsel[13] that describes utility recovery bonds exactly: investors are paid from charges that arise only if and when the utility delivers and bills for electricity, reset periodically through a regulator-approved true-up. The true-up is the statutory adjustment that keeps collections — operating revenues from electricity sales — sufficient to pay the bonds.[14] Nothing in a URB financing converts into cash by its terms.

The common principle, in one sentence: both securities are serviced by cash flow generated in the future by actively managed business and operating assets, not by assets that by their terms convert into cash. Securitization practitioners read the July 29 letter the same way. Seward & Kissel explains that the data center collateral "is not self-liquidating" because payments depend on "net operating cash flow" and on the operator's continuing ability to win and retain

initiative follows SEC guidance that takes sponsors off the hook for data center investments," CNBC (Aug. 17, 2026). See also Donna M. Mitchell, *"Data center ABS could now see less cumbersome execution, after SEC guidance,"* Asset Securitization Report (Aug. 3, 2026).

[10] SIFMA, U.S. Fixed Income Securities Statistics ($11.4 trillion of U.S. corporate bonds outstanding as of 2Q 2025).

[11] Sample institutional investment policies compiled by Saber Partners LLC excluding ABS; See comment letter, File No. S7-2025, December 1, 2025.

[12] Latham & Watkins LLP letter to SEC Division of Corporation Finance (July 23, 2026), at 4 (bracket in original), attached to and incorporated by the staff's July 29, 2026 response.

[13] See comments submitted by Orrick Herrington & Sutcliffe, LLP Legal Analysis and Supplemental Analysis and Winston & Taylor Legal Analysis, and Joint Letter (with Saber Partners) Division Director Moloney (transmitting a May 26 letter) requesting URBs be registered on Forms S-1/S-3. July 1, 2026 Memorandum to SEC Division of Corporation Finance regarding North Carolina Hunton Kurth SEC Correspondence 2021.

[14] The true-up is the periodic adjustment to the recovery charge, administered by the utility and implemented by the regulator under the state securitization statute and the financing order, made so that collections remain sufficient to pay scheduled principal and interest. It is a feature that supports the AAA rating without regard to any individual customer's payment.

customers."[15] Akin Gump writes that the analysis turns on "whether investors are exposed to operating data center assets rather than solely a pool of self-liquidating financial assets."[16]

7. But URBs are repaid from a dedicated charge. Isn't that a financial asset?

No. The credit — what state statutes call recovery property — is a regulatory right to impose future charges on future electricity consumption — not a loan, lease, receivable, or other contractual right that collects itself. At issuance there is no defined payment stream: charges arise only if the utility keeps delivering electricity and customers keep buying it. The SEC's own Office of the Chief Accountant concluded in 1997 that regulatory assets of this kind are not financial assets. FASB reached the same conclusion for accounting purposes, and the IRS treats utility securitizations as corporate debt of the utility for tax purposes.

8. If anything, isn't the data center case harder?

Yes — and that is the point. The data center bond pools actually include customer leases and other customer contracts, the kinds of assets normally associated with securitization, and the staff still concluded the bonds are not ABS. Utility recovery bonds contain no loans, leases, receivables, or customer contracts at all. If the harder case is outside the definition, the easier case should be too.

9. How did the SEC treat utility recovery bonds before the ABS label?

As corporate securities. From the first offering in 1997, URBs were registered with the SEC on corporate forms, with issuer financial statements, and reported for nearly a decade on corporate Forms 10-K and 10-Q. The shift to ABS-style forms and Form 10-D reporting came at the direction of SEC staff beginning in 2007 — over the objection of certain utility registrants and without any investor request. Data center issuers, by contrast, never registered at all: their deals are private placements whose sponsors complied with ABS rules only "out of an abundance of caution."

10. Does the Bloomberg Bond Index classify utility recovery bonds as corporate bonds or as ABS?

Both — at different times. In 2016, after a formal market consultation, the flagship index (then Barclays, later acquired by Bloomberg) classified URBs as corporate/utilities, and they were brought to market accordingly most notably by Southern California Edison in February 2022. In June 2022, Bloomberg reversed course and moved the bonds to its ABS classification.

Index classification matters because trillions of dollars are benchmarked to these indices and many investment policies restrict or prohibit ABS. When the label changed, part of the investor base fell away, and credit spreads (the increase in the interest) widened sharply. The reclassification prompted a ratepayer class action against Bloomberg in federal court in New York.[17] During its defense, Bloomberg cited the SEC staff's treatment of URB filings. Confirming corporate treatment at the SEC would remove the stated basis for the ABS index classification.[18]

---

[15] Seward & Kissel LLP, "SEC Clears Path for Data Center Securitizations Outside Exchange Act ABS Treatment" (2026).

[16] Sarah E. Milam, Akin Gump Strauss Hauer & Feld LLP, "SEC Staff Guidance Clarifies the Exchange Act ABS Analysis for Data Center Securitizations" (Aug. 7, 2026).

[17] Skolarus v. Bloomberg L.P., No. 1:24-cv-04375 (S.D.N.Y., filed June 2024).

[18] 54 days after Bloomberg was sued in a federal-court class action alleging that its reclassification of the bond offerings increased yields for its biggest customers, the SEC staff issued new and different guidance — the July 31, 2024 interpretation — that Bloomberg relied upon in its defense. When the class plaintiffs challenged that guidance and Bloomberg's reliance upon it, the staff issued further guidance on May 16, 2025, specifically addressing the plaintiffs' criticisms, and Bloomberg relied upon it again. The

11. What has the ABS label likely cost ratepayers?

A measurable interest rate penalty, every dollar of it paid through customers' electric bills. The 47 URB offerings priced from 2022 — around the time Bloomberg signaled a potential reclassification — through July 2026 averaged 61 basis points above AAA/Aaa corporate bond comparables on their pricing dates; individual offerings priced as much as 124 basis points above. [19] The added interest on those 47 offerings, measured deal by deal on a level-charge basis, totals $4.2 billion on $43.5 billion of principal.[20] The most recent offering — AAA/Aaa-rated SCE Recovery Funding 2026-A, a $1.95 billion issue priced July 21, 2026 — carries $183 million of that excess.[21]

Southern California Edison ran the natural experiment — same issuer, same AAA ratings, same statutory true-up, measured the same way each time: the deal's 15-year interpolated spread to Treasuries against the ICE BofA AAA corporate index on the pricing date. In February 2021, before Bloomberg raised reclassification, SCE's URBs priced through the corporate index — 45 basis points against the index's 50, five basis points inside it. In April 2023, after the reclassification took effect, the same issuer priced at 115 basis points against an index at 54 — 61 basis points outside it. Nothing about the credit changed; the label did.[22]

12. Why hasn't the market corrected this on its own?

Because the people who pay are not at the table. The utility recovers every dollar of financing cost from customers by statute, so a wider spread costs the utility nothing. Underwriters and investors do not object to higher yields. And the utilities themselves are silent: no one is engaging the SEC on behalf of its ratepayers today, though doing so would cost shareholders nothing. The only party with money at stake is the electricity customer — and customers do not price bonds. That is why the correction must come from the agency that supplied the label: the SEC.

13. Who is asking the SEC to act?

State officials, not industry. The request originated with a September 2024 letter from a coalition of governors.[23] NARUC, the national association of state utility regulators,[24] and NASUCA, the national association of state consumer advocates,[25] adopted supporting resolutions in November 2024. A supplemental letter focused on the staff's data center

---

timing and substance of the staff's actions have not been explained; they illustrate the concern the coalition has raised — staff action without Commission action, stated rationale, or public accountability.

[19] Saber Partners LLC, URB Master Database, August 2026, Spread Benchmarking — pricing-date spreads of each URB offering to AAA corporate comparables (reference: ICE BofA AAA U.S. Corporate Index OAS). Deal-level detail and methodology available on request.

[20] Saber Partners LLC, URB Master Database, August 2026 — level-charge excess cost measured deal by deal: 47 offerings priced 2022 through July 21, 2026, $4,152 million on $43.5 billion of principal.

[21] URB Master Database, above: 36 basis points over AAA comparables; estimated $183.0 million level-charge excess cost.

[22] Saber Partners LLC, URB Master Database, August 2026, Spread Benchmarking — 15-year interpolated option-adjusted G-spreads versus the ICE BofA AAA U.S. Corporate Index option-adjusted spread (FRED series BAMLC0A1CAAA) on each pricing date: SCE Recovery Funding 2021-A (Feb. 17, 2021), 45.2 bps vs. 50 (−4.8); SCE Recovery Funding 2023 (Apr. 19, 2023), 114.8 bps vs. 54 (+60.8).

[23] Letter from Governors Polis (CO), Newsom (CA), Pritzker (IL), Healey (MA), Whitmer (MI), Lujan Grisham (NM), Hochul (NY), and Cooper (NC) to SEC Chairman Gary Gensler, September 10, 2024.

[24] NARUC, Resolution on Urging Clarification of Utility Recovery Bond Classification by the SEC to Lower the Cost to Energy Customers, adopted by the NARUC Board of Directors, November 13, 2024.

[25] NASUCA, Resolution 2024-01, Resolution Urging Clarification of Utility Recovery Bond Classification by the SEC, adopted November 10, 2024.

determination, prepared with assistance from lawyers at Orrick, Herrington & Sutcliffe and Winston Taylor, is being finalized for the state officials leading the effort.

14. What exactly is being requested?

That the SEC staff apply their own July 29 test to utility recovery bonds. The request asks the staff to revise its July 31, 2024 and May 16, 2025 Corporation Finance Interpretations (CFIs) and confirm that URBs are not asset-backed securities, because they are repaid from a utility's ongoing operations, not from self-liquidating financial assets. It uses the same process — a staff letter — that produced the July 29 data center determination: no rulemaking, no legislation, no new authority. The decision sits with the staff of the Division of Corporation Finance, the same office that issued the July 29 letter, under a recently appointed Director who was not involved in the earlier utility guidance. The same classification question is also part of the record in the SEC's pending concept release on asset-backed securities registration (File No. S7-2025-04), where the coalition, its counsel, and market participants have filed comments.[26]

15. Who disagrees, and what do they say?

Based on the public record of comments on the SEC's pending concept release, opposition to the coalition's request has been limited. The few commentators who oppose it argue that URB disclosure grew up under Form SF-1 and that reclassification could confuse investors. The record runs the other way: URB disclosure developed under the corporate framework — the bonds were registered on corporate forms from their inception in 1997 — and the coalition showed in March 2025 that "[r]eclassifying URBs as corporate bonds would not disrupt disclosure practices."[27] Orrick's March 9, 2026 comment letter answers the commentators point by point.[28]

16. Would investors lose any protection?

No — they would gain disclosure. The corporate regime carries audited issuer financial statements and quarterly Form 10-Q reporting; the tailored URB disclosure investors have used for more than 25 years continues either way. The credit does not change: URBs are AAA-rated, backed by a statutory true-up, and have never defaulted. Investors already treated them as corporate bonds for years — Citi Research recommended them in 2023 as "cheap long triple-As" trading 20 basis points wide of the AAA/AA corporate index.[29]

17. Does this ask the SEC staff to reverse its data center decision?

No. The coalition takes no issue with the July 29 determination; its analysis is consistent with what the coalition has argued for utility recovery bonds since the staff's 2024 reclassification. Nothing in the request would revoke or narrow the relief data center sponsors received. The request is that the same test be applied even-handedly, nothing more.

18. How much does the July 29 letter actually settle?

Less than the headlines suggest. The staff's answer reflects the views of SEC Division staff rather than the Commission and has no legal force. That is not a weakness in the coalition's request —

[26] Comments on SEC Concept Release No. 33-11391, File No. S7-2025-04.

[27] Coalition letter, "SEC URB Proposed Path Forward" (March 25, 2025), at 2.

[28] Mitchell & Criddle, Orrick, Herrington & Sutcliffe LLP, supplemental comment letter, File No. S7-2025-04 (March 9, 2026).

[29] Citi Research, "ABS Weekly: Rate Reduction Bonds: Cheap Long Triple-As" (January 27, 2023)

it is the reason for it. The coalition asks for the same test, applied to different and simpler facts, in a similar kind of letter.

19. How fast could the SEC act?

Quickly — the precedent is six days. Latham & Watkins submitted its data center request on July 23, 2026, and the staff answered on July 29.[30] A staff letter requires no rulemaking, no comment period, and no Commission vote. The only requirement is applying the same test to the next set of facts.

20. Why does this matter now?

Because the meter is running. New URBs are coming to market continuously — including multi-billion-dollar financings now pending before state commissions — and each will price against whichever answer the SEC gives. Every issuance under the current guidance locks in avoidable interest costs for the 15 to 30 years the bonds are outstanding. Data-center growth itself makes the tool more important: as electricity demand strains grids and rates, states will rely on URBs to manage costs — and ratepayers should not pay more for the label.

21. What can commissions and consumer advocates do?

Two things. First, stay informed — the underlying documents are available from the coalition's advisors. Second, once the coalition's current letter is filed, consider a short statement supporting equal treatment. State-specific cost estimates for pending or expected securitizations are available on request from Saber Partners, LLC. Contact information below.

[30] SEC staff response to Latham & Watkins LLP, cited above (incoming request dated July 23, 2026; staff response dated July 29, 2026).

Green Street News

Asset-Backed Alert

SEPTEMBER 11, 2026 | LATEST NEWS

6 SECURITIZATION LAW FIRMS
2 Nonbank Card Firms Shuffle ABS Deck
2 EU, UK Risk-Rule Adoption Grows
3 Transition-Lender M&A To Heat Up
3 NAIC Plans New Look at CLO Rule
4 Heavy Dealflow Seen Until ABS East
5 Tesla Deal Comes Amid Lease Spike
13 CRT Deal References Non-IG Loans
14 Verus Readies First All-QM Offering
14 Personal-Loan Losses Improve
16 Improvement-Loan Recoveries Soar
17 Solar-Loan Performance Dims
22 MARKET MONITOR

THE GRAPEVINE

Structured-product investment specialist **David Moffitt** resurfaced this month at **Fortress Investment.** He heads Cayman asset solutions at the New York-based private equity shop, with the title of managing director. Moffitt most recently was a senior advisor at **Flexpoint Ford,** which he joined in 2023 following a stint co-heading U.S. credit management at **Investcorp.** Before that, he spent three years as a partner at **LibreMax Capital.** Moffitt, whose career on Wall Street began in 1996, also has logged time at **J.C. Flowers & Co., Mead Park Management, Morgan Stanley, MatlinPatterson Global Advisers, Merrill Lynch, RBS' Greenwich Capital, Credit Suisse** and **Brown Rudnick.**

King Street Capital Management has brought on **Michael Lin** as head of CLO capital formation. He is responsible for

See GRAPEVINE on Page 24

Corporate Bonds, ABS in Funding Tug-of-War

Asset-backed bond issuers and their bankers are working overtime to keep investors from taking their money to the corporate-debt market.

Typically, securitization allows companies to issue bonds with higher ratings than their unsecured-debt grades – equating to cost savings for the operations. Investors, meanwhile, generally demand modestly higher yields on securitized products than they would for corporate bonds with the same ratings.

But with asset-backed bond spreads running tight and corporate-bond yields under pressure due to oversupply and concerns that persistent inflation will keep interest rates high, buy-siders increasingly are rethinking how to put fresh dollars to work in what could amount to a reshaping of that balance. "The asset-backed bond market is a spread market more so than ever, and right now the conversations with investors over the spread difference between corporates and ABS are

See BONDS on Page 16

European BNPL Securitization Wave Expected

Market participants in Europe are bracing for an uptick in securitizations of buy-now, pay-later loans.

KKR was first out of the gate with a $555.2 million (€485.2 million) securitization of BNPL loans originated by **PayPal** to European consumers. The offering priced on July 17 via bookrunners **BNP Paribas, Citigroup,** KKR, **RBC** and **Societe Generale.**

Castlelake could be next, sources said. The company would securitize loans it has acquired through a partnership with **Alma,** a French BNPL company that operates in 10 European countries. The Minneapolis-based asset manager has been accumulating a book of the loans since it announced the partnership in October 2024.

The KKR deal, the first securitization of PayPal loans, paved the way for others to test the European market, sources said. Meanwhile, such deals have been plentiful in the U.S.

Affirm was first to securitize BNPL loans in the U.S. with a $150 million bond

See WAVE on Page 16

States Renew Push To Reclassify Utility Bonds

State governors, utility regulators and ratepayer advocates see a new opportunity to convince the **SEC** to reverse a 2024 decision classifying utility-fee bonds as asset-backed securities, rather than as corporate debt.

They are seizing on guidance the SEC provided in July that data-center securitizations do not meet the statutory definition of asset-backed bonds. Their argument: The same reasoning the agency relied on in that decision applies to bonds issued to recoup costs related to natural disasters, to retire coal-fired plants and to fund environmental upgrades.

Seven governors led by **Jared Polis** of Colorado, along with the **National Association of Regulatory Utility Commissioners** and the **National Association of State Utility Consumer Advocates,** are preparing a letter asking the SEC to apply the same test to utility-fee securitizations, and to determine that such offerings also do not meet the statutory definition of asset-backed securities.

Several lawyers and market executives are contributing to the effort without

See PUSH on Page 17

Push ... From Page 1

compensation, including **Michael Mitchell** and **Dean Criddle** of **Orrick Herrington, Peter Morgan** of **Winston Taylor** and **Joseph Fichera,** chief executive of **Saber Partners.**

The letter does not take issue with the SEC's data-center decision, which exempted issuers of such securitizations from rules requiring that sponsors of asset-backed securities issued under the Securities Exchange Act of 1934 retain 5% of their securitizations. They also are exempt from Rule 192 conflict-of-interest restrictions and Rule 15Ga disclosure requirements.

Utility-fee bonds already are exempt from risk-retention rules. State officials long have argued that the asset-backed label nevertheless raises the costs of capital for issuers by restricting their potential investor base, as the corporate-bond market is roughly five times the size of the asset-backed bond market.

Saber estimates that issuers of utility-fee bonds classified as asset-backed securities have paid $4.2 billion in additional costs since 2022. The estimate is tied to **Bloomberg Index Services'** reclassification of the bonds as asset-backed securities that June, and not subsequent SEC guidance reinforcing that move.

In its guidance on bonds backed by data centers, the SEC determined that the collateral underpinning such transactions is not "self-liquidating" assets such as loans, leases or other receivables. As such, payments to investors in securitizations underpinned by such receivables do not depend primarily on cashflows from self-liquidating financial assets, as defined by the Exchange Act.

While data-center securitization collateral includes assets that are self-liquidating, such as leases and other customer contracts, the amount of revenue available to investors in such offerings is reduced by the costs of operating and maintaining data centers.

State officials argue that this test also applies to utility-fee bonds, since the collateral for such offerings is not loans, leases or receivables of any kind, but rather a regulatory right to charge for electricity as it is delivered and billed.

Moreover, repayment depends entirely on the utility's ongoing operations – producing, delivering and billing for electricity – with charges periodically reset through a regulator-approved true-up mechanism.

"The key question is what generates the cash to repay the bonds," Mitchell said. "For data-center securitizations, the SEC staff concluded that the source is an operating business, not self-liquidating financial assets. The same is true of utility recovery bonds, which are repaid from a portion of a utility's operating revenues. Treating one as an asset-backed security and the other as something different applies the same statutory principles inconsistently."

Utility-fee bonds first were issued in 1997. Until 2022, they were treated as corporate securities. Bloomberg Index Services' reclassification of them that year prompted a class action lawsuit on behalf of ratepayers. The SEC subsequently issued new guidance also treating such bonds as asset-backed securities.

State officials and consumer advocates previously have petitioned the SEC to reclassify utility-fee bonds, but the coalition feels that the agency's guidance on data centers strengthens their case.

"Treating utility recovery bonds less favorably than comparable data-center securitizations makes no sense," said **David Springe,** NASUCA's executive director. "It unnecessarily raises financing costs and leaves utility customers paying higher bills." ❖

Solar-Loan Performance Dims

Credit-performance measures among securitized solar-power equipment loans slumped modestly during the July collection period, partially surrendering improvements recorded the month before.

According to an index maintained by **KBRA,** annualized net losses in the sector rose 28 bp on the month and 134 bp on the year to 3.95%. Still, that figure – while elevated by historical standards – remains at its third-lowest level of 2026.

Delinquencies were up as well, with the volume of loans 30 to 59 days past due rising 5 bp on the month and 7 bp on the year to 0.93%. And the measure of accounts at least 60 days late, and thus at elevated risk of default, jumped 3 bp on the month and 40 bp on the year to 1.69%.

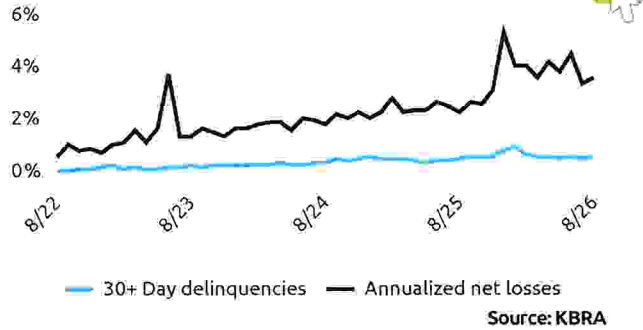
In both columns, the previous month's marks had been the lowest of the year.

Meanwhile, constant prepayment rates climbed 14 bp on the month and 13 bp on the year to 4.76%. That metric has ranged this year from a low of 4.27% in February to a high of 5.39% in June.

Perhaps the strongest positive signal: Recoveries soared 126 bp on the month and 184 bp on the year to 7.20%, the highest reading since an outlier showing of 10.05% in July 2025. Aside from that, the last time recoveries were higher was in November 2023.

KBRA's index covers 66 loan pools with an aggregate balance of $13.1 billion. **GoodLeap, Mosaic** and **Sunnova** account for a combined 87% of the receivables, which mostly were written to borrowers with credit scores of 730 to 760.

Solar-equipment loan performance



Source: KBRA