STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY

Docket No. 26-04-04

FINANCING ORDER FOR 2018 – 2023 STORM COSTS OF
THE CONNECTICUT LIGHT AND POWER COMPANY
D/B/A EVERSOURCE ENERGY

JOINT DIRECT TESTIMONY OF

KIMBERLY MOOERS, MICHAEL MACE AND JOHN M. MURPHY

On Behalf of

The Office of the Treasurer

October 12, 2026

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I. Introduction

Q. Please state the names of the witnesses on the panel.

A. The panel consists of Kimberly Mooers, Michael Mace and John M. Murphy. We are testifying on behalf of The Office of the Treasurer of Connecticut ("OTT").

Q. Ms. Mooers, please state your full name and business address.

A. My name is Kimberly Mooers. My business address is 165 Capitol Avenue, Hartford, CT.

Q. By whom are you employed and in what position?

A. I have been the Assistant Treasurer for Debt Management at OTT since 2024. In this capacity, I oversee the State's $26.3 billion debt portfolio, including annual bond issuances of as much as $4 billion per year across four credit programs. These programs include the State's general obligation bond program, Special Tax Obligation Bond program for transportation purposes, University of Connecticut bond program, and the State Revolving Fund Program for Clean Water/Drinking Water projects. In all cases, I am responsible for the prudent and cost-effective issuance of debt. At OTT, I lead a staff of 14.

Q. Please describe your educational background and employment experience.

A. I earned my Bachelor of Arts degree in Hispanic Studies and Political Science from Northwestern University, and Master of Business Administration from Boston College thereafter. I started my career in public finance in 1994 as an analyst in the public finance

department of BayBank in Boston. For the next three decades, I took on roles with increasing responsibilities, serving in the positions of investment banker, municipal advisor, and ultimately managing chief executive. From 2018 to 2023, I served as the Executive Director of the Rhode Island Health and Educational Building Corporation, the largest bond issuer in the state of Rhode Island. Prior to that I was Senior Vice President and Managing Principal of UniBank Fiscal Advisory Services, Inc., leading a team of six municipal advisors and four support staff and overseeing one of New England's largest municipal advisory practices.

Q. Have you previously testified in any formal hearings before regulatory bodies?

A. No.

Q. Mr. Mace, please state your full name and business address.

A. My name is Michael Mace. My business address is 400 West Elm St., Conshohocken, PA 19428.

Q. By whom are you employed and in what capacity?

A. I have been employed by PFM Financial Advisors LLC ("PFM") since 2001 and am a Senior Director and Municipal Advisor. In this role I am responsible for client and project management for several of PFM's largest governmental utility clients, including: Long Island Power Authority, Salt River Project, South Carolina Public Service Authority, Nebraska Public Power District, JEA (formerly Jacksonville Electric Authority), Florida Municipal Power Agency, Illinois Municipal Electric Agency, Connecticut Municipal Electric Energy Cooperative, and Massachusetts Municipal Wholesale Electric Company. I have also served as financial advisor on several electric utility securitizations for the Utility Debt Securitization Authority, the North Carolina Utilities Commission and the

Indiana Financing Authority. PFM is OTT's independent financial advisor on this transaction and has advised on Rate Reduction Bond securitization efforts in New York, North Carolina, Indiana, Hawaii, California, and Puerto Rico. PFM advises on debt management and portfolio optimization, transaction structuring and execution, capital and financial planning, credit analysis, policy development, and investor relations strategies, among other services. PFM is a registered municipal advisor with both the Securities and Exchange Commission and the Municipal Securities Rulemaking Board under the Dodd-Frank Act of 2010. PFM brings both the market depth and the transaction specific expertise, including direct experience advising on utility securitizations across the country to ensure that OTT's oversight of this transaction is grounded in current market practice and in the best interests of Connecticut ratepayers. PFM in its role as municipal advisor to the OTT has a fiduciary duty to the OTT.

Q. Please describe your educational and employment experience.

A. I graduated from Dartmouth College and received an MBA from Duke University's Fuqua School of Business, after which I spent almost 20 years working in the public finance departments of various major investment banking firms, most recently with Goldman Sachs. In 2001 I joined PFM and have worked primarily as financial advisor to governmental and not-for-profit utilities.

Q. Have you previously testified in any formal hearings before regulatory bodies?

A. Yes. I provided testimony before the Puerto Rico Energy Commission when it was reviewing the use of securitization as a component of the restructuring of the Puerto Rico Electric Authority. I have also provided numerous presentations before governing bodies

and oversight entities of governmentally-owned utilities. In several instances this required sworn testimony.

Q. Mr. Murphy, please state your full name and business address.

A. My name is John M. Murphy. My business address is 100 High Street, 23rd floor, Boston, MA 02110.

Q. By whom are you employed and in what capacity?

A. I am employed by PFM as Director and Municipal Advisor. In this role I am responsible for all aspects of municipal advisory work, including debt structuring, securitizations, distress debt restructuring, privately placed debt and I also lead PFM's investor relations advisory service.

Q. Please describe your educational and employment experience.

A. I hold a Master of Science degree in Banking and Money Management from Adelphi University, and a Bachelor of Business Administration from Baruch College (CUNY). Prior to my current role at PFM, I worked at Fidelity Investments as a municipal and corporate credit research analyst and a fixed income bond trader. Prior to that I was a municipal bond trader at JP Morgan and Banker Trust.

Q. Have you previously testified in any formal hearings before regulatory bodies?

A. No.

Q. What is the purpose of your joint testimony in this proceeding?

A. The purpose of our testimony is to support the petition of The Connecticut Light and Power Company d/b/a Eversource Energy ("CL&P") for the issuance of a financing order (the "Financing Order") authorizing the issuance of Connecticut Rate Reduction Bonds

("RRBs"), pursuant to Conn. Gen. Stat. §§ 16-245e to 16-245k, as amended in Public Act 25-173 (the "Securitization Law"). This testimony is submitted on behalf of OTT in its statutory capacity as Finance Authority for the RRB securitization. The purpose of this testimony is to:

- Summarize OTT's historical involvement in prior Connecticut RRB transactions and how the current transaction is structurally and contextually distinct;
- Detail the procedural history of this transaction, including the issuing entity options considered by the working group, and the reasons for the recommended structure;
- Provide, with the assistance of its financial advisor PFM, independent determination that the terms of the proposed RRB issuance, including the term of the RRBs, are in the public interest and will deliver meaningful, quantifiable savings to ratepayers; and
- Describe OTT's statutory role as Finance Authority and the nature of its work throughout the securitization process, forming the basis for its review of the final Issuance Advice Letter.

II. OTT's Historical Involvement in Rate Reduction Bonds

Q. Please describe OTT's prior involvement in Connecticut RRB transactions.

A. Connecticut is not new to utility securitization. OTT has been directly involved in three prior RRB programs authorized under Connecticut law, each involving different structural approaches and purposes. The table below summarizes that history:

Transaction	Amount	Purpose	Structure	Proceeds
2001 (DPUC Dockets 00-05-01 and 00-05-01RE01)	$1.4B	Stranded costs / above-market power contracts from electric deregulation; first utility securitization in CT; bonds have matured	Hybrid (state entity on top, utility special purpose entity below)	To utility (CL&P)
2004 (DPUC Dockets 03-09-08 and 03-09-08RE01)	$205M	Clean Energy program funding preservation — proceeds used in lieu of diverting conservation funds for two years; bonds have matured	State issuer	To State General Fund
~2010 (DPUC Docket 10-06-20)	N/A	State fiscal deficit financing — authorized by statute and PURA but never executed; improving fiscal conditions eliminated need	N/A — never executed	N/A

OTT's Debt Management Division has maintained continuous expertise in utility securitization through each of these transactions and through its ongoing engagement with the capital markets, rating agencies, and the broader municipal and RRB investor communities. That institutional knowledge directly informs OTT's role in the current transaction.

Q. How is the current transaction distinct from the prior RRB transactions?

A. The proposed transaction differs from each of OTT's prior RRB engagements in several important respects:

First: Purpose of the Transaction.

This is the first Connecticut securitization of utility storm costs, a category of securitization that has become well-established nationally since 2018. The 2001 transaction addressed electric deregulation, providing funds for recovery of stranded costs related to generation-related regulatory assets of the State's two electric utilities, and for the buyout/buydown of long-term contracts with independent power producers. The 2004 transaction preserved

Clean Energy program funding by providing funds to the State to continue to fund the Conservation Fund. The 2010 transaction would have provided funds to the State General Fund to fill a projected deficit; ultimately, economic conditions improved and the transaction was not necessary.

This transaction provides funds for CL&P to recover its costs of preparing for and responding to past storms. Storm cost securitization has been authorized and executed in Texas, Louisiana, Florida, Mississippi, North Carolina, South Carolina, and other jurisdictions, generating a robust body of market precedent directly applicable to this transaction. These transactions allow ratepayers to meet their obligation to fund such storm costs at a lower cost and spread these costs over a reasonable time period.

Second: Issuing Entity Structure.

The 2001 transaction used a hybrid structure. It involved a utility Special Purpose Entity ("SPE") as an issuing entity, whose debt obligations were purchased by a State-sponsored trust with the proceeds of pass-through trust certificates offered to investors. This structure is not available for the current transaction due to an Internal Revenue Service ("IRS") Revenue Procedure ("Rev. Proc.") issued in 2005 and modified in 2024. IRS Rev. Proc. 2005-62 does not clearly extend certain tax safe harbors to hybrid structures, creating material tax uncertainties that make this approach unsuitable for the current transaction. The proposed RRB transaction uses a utility SPE structure, in which the utility creates the SPE, which is the national market standard and within the IRS safe harbor.

Third: Finance Authority Role Without Issuer Role.

In prior transactions, OTT's oversight authority was partially embedded in its role as issuer or co-issuer of the RRBs. In the current transaction, OTT exercises its Finance Authority oversight entirely through its statutory oversight function as the Finance Authority, and its engagement with its own financial advisors and legal counsel, without serving as the issuing entity. The Securitization Law and the recommended structure give OTT the authority it needs to monitor the transaction with a view to protecting ratepayers.

III. Procedural History of This Transaction

Q. Please provide an overview of the procedural history and working group team of the proposed RRB transaction.

A. The concept of using securitization as a means of recouping storm costs and other similar expenses was first broached by CL&P with OTT over four years ago. Since that time, OTT has consulted with CL&P and the Office of Consumer Counsel ("OCC") regarding draft legislation for that purpose. Following the enactment of Public Act 25-173, OTT and CL&P formed a joint working group to discuss and develop (i) which financing structure would be most suitable, (ii) the maturity of RRBs, and (iii) the financing application. As of October 7, 2026, the working group had met approximately 21 times.

The working group has met on a weekly basis since March of 2026, with additional sessions as needed. Working group participants include OTT, CL&P, Goldman Sachs (CL&P's structuring advisor and lead underwriter on the bond transaction), Ropes & Gray (CL&P's bond counsel), and Pullman & Comley (OTT's regulatory and bond counsel). PFM serves

as OTT's independent financial advisor, and Barclays Capital has been selected as co-lead underwriter. OTT supports the selection of the parties listed above.

OTT notes that OCC has been included in docket communications and has engaged constructively in the process. OTT has welcomed OCC's input and anticipates continued coordination as the application moves through the approval process and through issuance of the RRBs.

Q. Why isn't the State or a State SPE acting as the issuer of the proposed RRBs?

A. The question of who should be the RRB issuer has been the subject of extensive discussion and analysis by the RRB working group. The proposed issuance of the RRBs by a wholly owned SPE of CL&P is similar to the 2001 transaction, where the utility received the bond proceeds, and dissimilar to the 2004 transaction where the State received the bond proceeds.

If the RRBs are properly structured, CL&P will receive favorable federal tax treatment (delaying income recognition) for RRBs that comply with IRS Rev. Proc. 2005-62[1] (applicable to RRBs issued by a wholly owned SPE of a utility) as modified by IRS Rev. Proc. 2024-15[2] (expanded favorable federal tax treatment to RRBs issued by a State or a State SPE).

[1] https://www.irs.gov/irb/2005-37_IRB#RP-2005-62
[2] https://www.irs.gov/pub/irs-drop/rp-24-15.pdf.

- Compliance with one of the Rev. Procs. is significant to ratepayers, as the present value of the federal tax benefits will be passed through to ratepayers by reducing the overall principal amount of the RRB debt.
- Because CL&P would bear the risk in future years of noncompliance, it is essential to maintain compliance with the Rev. Procs.
- The IRS has made it clear that it will not entertain ruling requests in this area, so obtaining a special ruling for a State issued RRB that falls outside of the specific requirements of Rev. Proc. 2024-15 is likely to result in delay and uncertain success.

Lastly, OTT concluded not to have the State or a State SPE issue the RRBs, because the State would be required to assume a range of post-issuance obligations at both the federal and state levels (e.g., federal continuing disclosure requirements and state annual reporting requirements) in a transaction where the State was not receiving the bond proceeds.

The evaluation criteria, conclusions, and rationale are summarized in the table below:

Option	Decision	Key Rationale
1. Utility as Issuer (Recommended) CL&P SPE	**RECOMMENDED**	Within IRS Rev. Proc. 2005-62 safe harbor, receipt of bond proceeds will not be treated as recognizing gross income for CL&P. Preserves ADIT benefit (reduces RRB original principal amount). Aligns financial reporting/disclosure with entity receiving proceeds. Consistent with national market standard.
2. Hybrid — State Issuer + Utility SPE (2001 Model)	**NOT RECOMMENDED**	Creates unnecessary financial reporting/disclosure misalignment, proceeds flow to CL&P, not the State, but State would carry continuing disclosure obligations and concomitant costs.
3. Full State Issuer	**NOT RECOMMENDED**	While a structure along the 2004 lines would fit within the IRS safe harbor, it has mostly been used with multiple utilities engaged in a pooled financing. Creates unnecessary financial reporting/disclosure misalignment, proceeds flow to CL&P, not the State, but State would carry continuing disclosure obligations and concomitant costs.

As a result of the working group's thorough evaluation, OTT recommends the utility SPE structure as the only option that unambiguously preserves both the IRS safe harbor and the favorable federal tax treatment benefit for ratepayers and aligns the use of proceeds with ongoing compliance responsibility. OTT is satisfied that a well-structured taxable securitization with AAA ratings will deliver substantial ratepayer savings relative to traditional utility cost recovery.

OTT also explored the possibility of using tax exempt revenue bonds to fund the storm costs. This avenue, which might have achieved a slight benefit to ratepayers, was judged impracticable for several reasons. First, it would have been well outside the existing Rev. Proc discussed above. Second, because the State would not be using the proceeds, it would have required an IRS private letter ruling, introducing cost and delay in the transaction with

an uncertain outcome and adverse impacts to ratepayers. Third, this financing structure has not been employed elsewhere.

Q. How long should the RRBs remain outstanding?

A. OTT supports the use of an approximately 12-year expected maturity with a 14-year legal final maturity. OTT also supports the use of a level debt service structure, which has been employed in the vast majority of RRB transactions. This maturity structure reflects a deliberate balance among ratepayer savings, intergenerational equity, and market convention. OTT evaluated both shorter and longer recovery periods and their impact on annual and net present value savings. Generally, shorter maturities generate higher annual charges that erode the annual ratepayer savings relative to those arising from a traditional six-year cost recovery schedule. Longer maturities typically provide lower annual charges offset by higher interest rates.

Given that the storm costs were incurred between 2018 and 2023, OTT concluded it would be imprudent to extend recovery beyond 12 years. Using longer maturities would cause ratepayers who had no connection to those storms to bear a disproportionate share of their costs, raising intergenerational fairness concerns. The 12-year recommended period is also well within market convention for storm cost securitizations of this size, consistent with recent RRB transactions in New Hampshire and New York. The two-year extension for the 14-year legal final maturity is a structural safeguard standard across nearly all utility securitizations and typically required by rating agency criteria. This two-year differential gives the true-up mechanism time to correct any shortfalls in collections without triggering

a technical default. It is highly expected that the RRBs will be paid according to the 12-year expected maturity schedule.

IV. OTT's Role in This Transaction

Q. As Finance Authority under the Securitization Law, what is OTT's role in this Transaction?

A. Under Conn. Gen. Stat. § 16-245e, as amended by Public Act 25-173, OTT is designated as the Finance Authority for the Connecticut RRB securitization. In this capacity, OTT has authority to specify the final terms and conditions of the RRBs, including principal amount (as defined in the Financing Order), tranche structure, repayment schedule, pricing, and total issuance costs before the bonds may be issued. To effectively exercise this function, OTT is not passively reviewing a final transaction. As in the past, OTT believes that to form a basis for its actions it needs to be involved from the earliest stages of the transaction through to its completion, with a thorough, proactive review process by OTT and its advisors. This ensures the transaction proceeds on terms that are in the best interests of ratepayers. Consistent with its Finance Authority designation, OTT has engaged independent financial and legal advisors (including PFM Financial Advisors LLC and Pullman & Comley, LLC) to provide it with the analytical capacity to evaluate all transaction economics and documents against current market comparables and prior transactions. In addition to reviewing and approving the terms and conditions relating to the issuance of the RRBs, OTT will provide the following in connection with the transaction:

A. Non-Impairment

By statute, the State covenants with bondholders that as long as the RRBs are outstanding it will take no action that would impair the rights of bondholders. This pledge, that the State will not impair the securitized property or take any action that would reduce charges below the level necessary to pay principal, interest, and transaction costs, is a cornerstone of the AAA credit rating that will deliver the lowest possible interest rates and provide material ratepayer savings. The non-impairment pledge is analogous to, and functions in a manner consistent with, the bond covenants OTT routinely provides to bondholders in the State's general obligation and revenue bond programs. OTT has well-established relationships with rating agencies and the investor community in this context, and its participation in providing the non-impairment pledge directly reinforces the creditworthiness of the RRBs. Any action inconsistent with this pledge would also endanger all other bond programs of the State.

B. Market Oversight and Benchmarking

OTT, working with PFM, will evaluate the proposed transaction economics against the national market for utility securitizations throughout the transaction process. Specifically:

- The market standard underwriting fee for SEC-registered utility securitizations is 40 basis points (or 0.40% of the principal amount of the bonds). This fee level has been in place for the overwhelming majority of recent transactions. OTT will evaluate the underwriting compensation proposed for this transaction against market conventions and recent benchmark deals.

- OTT and PFM will analyze CL&P's proposed tranche maturity structure, weighted average life, and maturity profile.
- OTT and PFM will review rating agency material and observe rating agency presentations by CL&P and Goldman Sachs to provide the investors with confidence that a rigorous, independent state-level financial oversight is engaged in the transaction.
- OTT and PFM will review investor material to be used for investor roadshows and one on one meetings with investors.

C. Issuance Advice Letter

Under the proposed RRB, CL&P will file an Issuance Advice Letter ("IAL") with PURA shortly after pricing of the RRBs. The IAL will contain final pricing, tranche terms, the securitization charge calculation and allocation method. Consistent with its active role as Finance Authority, at or prior to the pricing of the RRBs, OTT will confirm to CL&P that the draft of the IAL and the final terms of the RRBs are consistent with the terms and conditions specified and agreed by the Finance Authority in connection with the finalization of the terms of the bonds. After the pricing of the bonds, CL&P will provide to OTT a final draft of the IAL reflecting such final terms of the RRBs. OTT will confirm that the IAL is consistent with the final terms of the RRBs and authorize CL&P to so represent to PURA. CL&P will then file with PURA the IAL. The IAL review process ensures that OTT has an affirmative gate on final bond economics, specifically, that the transaction at final pricing continues to meet the ratepayer benefit standard before the transaction can close.

D. Timing and Execution Oversight

OTT recognizes that expediency to market is itself a ratepayer benefit. Carrying charges are accruing on the approved storm costs from the date of the Final Decision in Docket 25-12-13, and each month of delay increases the cost to be securitized. OTT is committed to working expeditiously at each stage of the process and to using its oversight authority to streamline, not delay, execution. We continue to look for avenues of shortening the schedule as contemplated in the CL&P petition.

V. Conclusion

Q. Please summarize your testimony.

A. Based on the foregoing, OTT respectfully submits that:

- The proposed utility SPE structure is the appropriate structure for the Connecticut RRB securitization. It is consistent with the legislative intent of Public Act 25-173, within the IRS Rev. Proc. 2005-62 safe harbor, and supported by extensive national market precedent.
- The recommended structure preserves the ADIT benefit required to be passed through to ratepayers under the Securitization Law, which is expected to reduce the final RRB principal and deliver a direct, upfront benefit to ratepayers.
- OTT's involvement at every stage, from structural evaluation through Finance Authority review of the IAL, is designed to ensure that the transaction is executed at the lowest achievable cost and on terms that are in the best interests of Connecticut ratepayers and consistent with market standards.

- Based on OTT's analysis of CL&P's calculation of the potential net present value savings, a well-structured securitization of this type is expected to reduce the initial residential monthly customer bill impact versus traditional utility cost recovery, as described further in CL&P's petition and related testimony.

OTT supports the issuance of the Financing Order and is committed to collaborating with PURA, CL&P, OCC, and all docket participants to ensure a timely, cost-effective, and legally sound transaction.

Q. Does this conclude your testimony?

A. Yes, it does.