STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY

FINANCING ORDER FOR 2018-2023 STORM COSTS OF THE CONNECTICUT LIGHT AND POWER COMPANY D/B/A EVERSOURCE ENERGY	:	Docket No. 26-04-04
	:	November 12, 2026

BRIEF OF THE CONNECTICUT OFFICE OF THE TREASURER

The Office of the State Treasurer ("OTT") hereby submits its post-hearing brief in the above-referenced Public Utilities Regulatory Authority (the "Authority" or "PURA") proceeding. OTT, in its statutory capacity as Finance Authority pursuant to Connecticut General Statutes ("Conn. Gen. Stat.") § 16-245e(a)(4), has participated in this proceeding as described in the September 25, 2026 Petition ("Petition") of The Connecticut Light and Power Company d/b/a Eversource Energy ("CL&P") for issuance of a financing order authorizing the issuance of rate reduction bonds ("RRBs"). The Petition was filed pursuant to Conn. Gen. Stat. §§ 16-245e to 16-245k, as amended by Public Act 25-173 (the "Securitization Law"). The Petition seeks to securitize the net amount of $667,930,008 in storm costs that the Authority determined in its July 29, 2026 Final Decision in Docket 25-12-13 were prudently and efficiently incurred, together with the fees, expenses and transaction costs of issuing, servicing and retiring the RRBs. CL&P estimates the net present value savings of the proposed RRB transaction at approximately $120 million as compared to traditional rate recovery.[1] Should the Authority find this transaction to be in the best interest of ratepayers, as summarized herein, OTT will provide oversight in its role as Finance Authority consistent with the Securitization Law.

[1] Petition at 2.

I. Procedural History

As discussed in the Pre-filed Testimony of Kimberly Mooers, Michael Mace and John Murphy dated October 12, 2026 ("OTT Testimony"), 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.[2] OTT's Debt Management Division has maintained continuous expertise in utility securitization through those transactions and through its ongoing engagement with the capital markets, rating agencies, and investor communities.

More recently, 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 regarding draft legislation and 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. The Working Group included legal and financial advisors for both CL&P and OTT, including OTT's independent financial advisor PFM Financial Advisors LLC ("PFM").

II. The Treasurer's Role In The Proposed Transaction

A. As the Statutory Finance Authority, OTT Supports the Proposed Transaction Structure and Term

Under the Securitization Law, OTT is designated as the Finance Authority for the Connecticut RRB securitization.[3] In that capacity, OTT has authority to specify the final terms and conditions of the RRBs, including principal amount (as defined in the financing order), tranche

[2] OTT Testimony at 5.
[3] Conn. Gen. Stat. § 16-245e.

structure, repayment schedule, pricing, and total issuance costs, before the bonds may be issued.[4] As the OTT Testimony explains, OTT, acting as the Finance Authority, is "not passively reviewing a final transaction;" rather, to form a basis for its actions, OTT must be involved from the earliest stages of the transaction through its completion, with a thorough, proactive review by OTT and its advisors, to ensure that the transaction proceeds on terms that are in the best interests of ratepayers.[5]

The proposed transaction differs from Connecticut precedents in several important aspects. It is the first Connecticut securitization of utility storm costs, which, although new to Connecticut, is a category that has become well established nationally since 2018.[6] The proposed transaction also uses a utility special purpose entity ("SPE") structure. And, unlike prior transactions in which OTT's oversight was partially embedded in its role as issuer or co-issuer, OTT here will exercise its oversight entirely through its statutory function as the Finance Authority and through its own financial advisors and legal counsel, without serving as the issuing entity.[7]

After evaluating different options, including a utility SPE as issuer, a hybrid State/utility SPE structure, and a full State issuer structure, OTT recommends the proposed utility SPE structure as the best option.[8] This option satisfies the Internal Revenue Service ("IRS") safe harbor, offers more favorable federal tax treatment for ratepayers and aligns the use of proceeds with ongoing compliance responsibility.[9] Under the proposed structure, compliance with the applicable IRS rules is a significant factor in assessing potential benefits to ratepayers because the present value of the federal tax benefits is passed through by reducing the principal amount of the

[4] OTT Testimony at 13.
[5] OTT Testimony at 13; *see* Conn. Gen. Stat. § 16-245e(*l*).
[6] OTT Testimony at 6-7.
[7] OTT Testimony at 8.
[8] These options were also discussed at the July 13, 2026 Technical Meeting. *See* OTT and CL&P Joint Presentation for Technical Session (July 9, 2026).
[9] OTT Testimony at 9-11.

RRBs.[10] OTT also considered, and ultimately rejected as impracticable, tax-exempt revenue bonds, which would require an IRS private letter ruling, injecting an uncertain outcome and unnecessary delay. Moreover, such a tax-exempt structure has not been used elsewhere in utility securitizations.[11]

With regard to maturity, OTT supports the proposed 12-year expected maturity with a 14-year legal final maturity and a level debt service structure. OTT evaluated both shorter and longer recovery periods and their respective impact on annual and net present value savings. As explained in the OTT testimony, shorter maturities generally 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.[12] Issuance costs also would make a shorter period less economically worthwhile.

In addition, when considering longer terms, because the relevant storm costs were incurred between 2018 and 2023, extending recovery beyond 12 years could cause ratepayers with no connection to those storms to bear a disproportionate share of their costs.[13] Lastly, the two-year differential between expected and legal final maturity is a structural safeguard standard across nearly all utility securitizations that gives the true-up mechanism time to correct any collection shortfalls without triggering a technical default.[14]

In OTT's view, based on its experience and the advice of its financial advisors, rating agencies typically will not assign triple-A ratings to rate reduction bonds unless the enabling statute and financing order provide six core protections that are discussed below:

[10] OTT Testimony at 10.
[11] OTT Testimony at 11-12.
[12] OTT Testimony at 12.
[13] OTT Testimony at 11-12.
[14] OTT Testimony at 12-13.

- Property right
- Irrevocability and state support (i.e., non-impairment)
- Bankruptcy remoteness/true sale
- True-up mechanism
- Non-bypassability
- Utility successor requirements

Property Right

Rating agencies require that the bonds be secured by an intangible property right under state law, namely the right to collect a specific charge. "Transition property" is the irrevocable property right, created under the Securitization Law, comprising the charges that will be established in the Authority's financing order, including the right to be paid the amounts determined in the order together with all related revenues and collections, and the right to obtain adjustments.[15] Once the financing order is effective, transition property "continuously exist[s] as property for all purposes" until the bonds are paid in full, and before transfer it is a vested contract right of the utility notwithstanding any contrary accounting or tax treatment.[16] It constitutes property for all purposes, including contracts securing the bonds, whether or not the revenues have accrued.[17] The property is further protected by a statutory first priority lien that arises automatically when the financing order becomes effective and is enforceable against all third parties "without any further public notice.".[18]

Irrevocability and Non-Impairment

Rating agencies typically require that the financing order be irrevocable once issued and that the State pledge not to impair the securitized property or reduce the charges until the bonds are repaid. Thus, the pledge is regarded as the cornerstone of the triple-A rating. The financing

[15] Conn. Gen. Stat. § 16-245e(a)(13).
[16] Conn. Gen. Stat. § 16-245h(a).
[17] Conn. Gen. Stat. § 16-245k(c) and (g).
[18] Conn. Gen. Stat. § 16-245k(g).

order and the competitive transition assessment are irrevocable, meaning the Authority may not rescind, alter, or amend the order, revalue the financed costs, determine that the charge is unjust or unreasonable, or "in any way reduce or impair the value of transition property," nor are the revenues subject to "reduction, impairment, postponement, or termination."[19] These requirements bind the Authority as constituted from time to time and any successor agency.[20]

In addition, through Conn. Gen. Stat. § 16-245j(b), the State "does hereby pledge and agree with the owners of transition property and holders of rate reduction bonds that neither the state nor any agency of the state shall limit, alter, amend, reduce or impair the competitive transition assessment, transition property, financing orders, and all rights thereunder until the obligations, together with the interest thereon, are fully met and discharged," unless adequate provision is made by law for the protection of the owners and holders.[21] The pledge is a contractual undertaking by the State with bondholders, which implicates the protections of the Contract Clause of the U.S. Constitution. Bonds issued in reliance on the financing order also remain valid and binding even if the order is later vacated or modified, unless its operation was enjoined or stayed before issuance.[22]

Bankruptcy Remoteness and True Sale

Rating agencies require that the property right legally transfer from the utility to a special purpose entity in a "true sale," so that a utility bankruptcy cannot impair the entity's ability to collect the charges and pay the bonds, and they require opinions of counsel to that effect at issuance. A transfer of transition property that the parties expressly state to be a sale, in a transaction approved in a financing order, "shall be treated as an absolute transfer of all of the

[19] Conn. Gen. Stat. § 16-245i(b)(1).
[20] Conn. Gen. Stat. § 16-245i(b)(3).
[21] Conn. Gen. Stat. § 16-245j(b).
[22] Conn. Gen. Stat. § 16-245j(d).

transferor's right, title, and interest, as in a true sale, and not as a pledge or other financing," notwithstanding any contrary accounting or tax treatment, and granting bondholders a preferred right to revenues or providing credit enhancement does not negate that characterization.[23] The RRBs will be issued by a bankruptcy-remote limited liability company wholly owned by CL&P whose activities are limited to acquiring transition property and issuing the bonds, and which must have at least one independent manager whose consent is required to institute bankruptcy proceedings, dissolve, or amend its separateness provisions. Adequate capitalization, arm's-length servicing compensation, and other separateness covenants are intended to defeat substantive consolidation.

True-Up Mechanism

Rating agencies require that the charges be adjusted periodically, with semi-annual adjustment regarded as best practice, to correct over- and under-collections and ensure timely payment of principal and interest regardless of changes in usage. The Authority must establish, fix, and revise the assessment in an amount "sufficient at all times" to pay principal, interest, credit enhancement, and premium when due and all reasonable financing expenses.[24] Notwithstanding any other provision, PURA must approve the adjustments necessary to ensure timely recovery.[25] Each financing order must provide a procedure for adjustments at least annually, approved within ninety days of filing or a shorter period set in the order.[26] The proposed financing order requires an annual true-up filing by April 15 and a mid-year filing by October 15 if a shortfall is projected, and permits additional monthly filings; absent manifest error, these adjustments are deemed approved and take effect on the next May 1, November 1, or first of the month, respectively.

[23] Conn. Gen. Stat. § 16-245k(h).
[24] Conn. Gen. Stat. § 16-245g(d).
[25] Conn. Gen. Stat. § 16-245i(b)(2).
[26] Conn. Gen. Stat. § 16-245i(c).

Non-Bypassability

Rating agencies require that the charges be imposed on all customers without exception, so that customers cannot avoid them by switching suppliers or self-generating. The Securitization Law defines the "competitive transition assessment" as "those non-bypassable rates and other charges" authorized by the Authority in a financing order.[27] The assessment is determined in a general and equitable manner and assessed against all customers at a rate applied equally within each class,[28] and is charged until the bonds are paid in full.[29] Partial payments are allocated pro rata among the RRB Charge and the utility's other charges, and the utility may not favor itself over the financing entity.[30] Under the proposed financing order, the RRB Charge is assessed against and collected from all CL&P customers taking retail electric service regardless of who bills it, third party suppliers may not bill or collect it under current law, and customers who fail to pay are subject to disconnection.

Utility Successor Requirements

Because the charge is collected through the utility's billing system, rating agencies look for assurance that collections will continue if the utility is reorganized, sold, or replaced as servicer. Any successor to the electric distribution company, whether through bankruptcy, reorganization, or other insolvency proceeding, or through merger, sale, or transfer, by operation of law or otherwise, "shall perform and satisfy all obligations" of the company under the Securitization Law in the same manner and to the same extent, including collecting and paying over transition property revenues.[31] The utility must contract with the financing entity to continue operating its system,

[27] Conn. Gen. Stat. § 16-245e(a)(2). Note that the proposed financing order calls the bond-securing portion the "RRB Charge."
[28] Conn. Gen. Stat. § 16-245g(c).
[29] Conn. Gen. Stat. § 16-245g(e).
[30] *Id.*
[31] Conn. Gen. Stat. § 16-245k(k).

collect the charge for the financing entity's account, and remit the collections.[32] The financing order, the RRB Charge, and the transition property remain enforceable notwithstanding any bankruptcy of, or sale, merger, or other transfer by, CL&P. CL&P may not resign as servicer without Authority approval and rating agency confirmation, and upon a servicer default a successor servicer may be appointed, subject to the rating agency condition and expedited Authority approval and assumes all of the servicer's obligations. An unaffiliated successor annual servicer's fee is capped at 0.60% of the initial principal balance unless the Authority approves a higher rate.

B. The Finance Authority's Oversight Role

Connecticut's Securitization Law differs from other storm cost securitization statutes, where usually the state utility regulatory body is the sole oversight authority. The Connecticut law instead provides for OTT to act as the Finance Authority. Once PURA issues the Finance Order, responsibility for oversight of the execution of the transaction in compliance with the parameters set out in the Finance Order shifts to the Finance Authority. In addition to reviewing and approving the terms and conditions of the RRBs, the OTT expects to provide the following in connection with the transaction and as a basis for its review:

- **Market Oversight and Benchmarking.** OTT and PFM will evaluate transaction economics against the national utility securitization market, including evaluating underwriting compensation, analyzing tranche maturity structure and weighted average life, reviewing rating agency materials and observing rating agency presentations, and reviewing investor roadshow materials.[33] As discussed at the October 20, 2026 evidentiary

[32] Conn. Gen. Stat. § 16-245h(d).
[33] OTT Testimony at 14-15.

hearing, Ms. Mooers underscored that, apart from the principal amount defined in the proposed financing order, the structure, repayment schedule, pricing and total issuance costs will be determined after the financing order is issued.[34] Subsequently, when the bonds are marketed, Goldman Sachs will structure and price the transaction under OTT's oversight. Mr. Murphy explained that, once the financing order sets the parameters, OTT and PFM will proactively monitor the market, probe structures attracting greater investor demand, and test comparables and spreads to secure the best execution possible.[35]

The substantive provisions governing OTT's role are summarized in the following table:

Phase	Transaction Milestone	OTT's Role
Structuring and Documents	Determination of terms and conditions including principal, tranches, weighted average lives, repayment schedule, and costs.	Provides **approval** for final terms and conditions and structural features of the bonds. With advisors, reviews the documents, including the trust indenture and servicing agreement.
Ratings	Rating agencies review and assign ratings to the bonds. CL&P, its advisors and the underwriters prepare rating materials and present the transaction structure, credit enhancement (true-up mechanism), financing order, and key documents to the agencies. The agencies then evaluate the structure and legal framework, ask follow-up questions, and issue ratings on the bonds ahead of pricing	Participates in rating process, including reviewing rating agency material and presentations prior to CL&P and its advisors meeting with the rating agencies, as well as joining prep calls and observing the actual rating calls
SEC Registration	CL&P, OTT, its advisors and the underwriters prepare the registration statement and preliminary prospectus, including disclosure on the bonds, the State as the Finance Authority, the pledge, and the transaction structure. The registration statement is filed with the Securities and Exchange Commission ("SEC"), and any SEC comments are addressed before the bonds are marketed	Reviews disclosure on the State's non-impairment pledge, the security pledge, underwriting arrangements and the terms OTT approved. Signs off on the preliminary prospectus
Pre-marketing (including preparation beforehand)	CL&P, its advisors and the underwriters review structural alternatives, pricing comps, market dynamics and investor sentiment. Pre-marketing then begins with broad investor outreach, investor education and roadshow meetings, and the underwriters start building an order book through Indications of Interest	Prior review and input on all investor presentation materials. **Approves** the final structure (tranche sizing) and Initial Price Thoughts (IPT) levels used at the start of pre-marketing
Transaction Announcement	Any changes to IPT levels are determined before announcement. The announcement message and transaction materials are sent broadly to the market and investors. CL&P, OTT, the advisors and the underwriters discuss investor orders and feedback by email and periodic syndicate calls	**Approves** moving forward with the announcement and any changes to IPT levels

[34] Transcript at 159-160.
[35] Transcript at 160.

Phase	Transaction Milestone	OTT's Role
Price Guidance	Based on investor demand, spreads are refined from IPT levels to price guidance levels. The underwriters develop levels reflecting the consensus view on the best strategy for the most attractive funding cost. This is the first significant opportunity to adjust spread levels. CL&P, OTT, its advisors and the underwriters discuss the proposed levels in detail	**Approves** the agreed price guidance levels before they are distributed to the broader marketing / investor base
Transaction Subject and Test Book	The underwriters recommend taking each tranche "subject," meaning no additional orders will be anticipated or taken into the book. If one or more tranches are sufficiently oversubscribed, a typical one-time test process can be conducted to test spreads tighter. The proposed test levels are discussed in detail by CL&P, OTT, its advisors and the underwriters	**Approves** taking the classes (tranches) subject, and **approves** the test levels for each tranche
Transaction Launch and Pricing	Based on the test results, final spreads are set to launch to the market. Shortly thereafter, investor bond allocations are determined and final pricing terms are set on the pricing call	Participates, with CL&P, its advisors and the underwriters, in setting final spreads, determining allocations and setting final pricing terms
Issuance Advice Letter	CL&P provides OTT with a final draft of the IAL reflecting the final pricing terms	Confirms that the details in the IAL are consistent with the final terms of the transaction, and **authorizes** CL&P to file the letter with PURA

- **Issuance Advice Letter.** At or prior to pricing, OTT will confirm to CL&P that the draft Issuance Advice Letter ("IAL") and final bond terms are consistent with the terms and conditions specified and agreed by the Finance Authority. After pricing, OTT will confirm that the final IAL is consistent with the final terms and authorize CL&P to so represent to PURA before CL&P files the IAL.[36] This process gives OTT "an affirmative gate on final bond economics," ensuring that the transaction at final pricing continues to meet the ratepayer benefit standard before it can close.[37]

- **Timing and Execution Oversight.** OTT recognizes that expediency to market is itself a ratepayer benefit, because carrying charges accrue on the approved storm costs from the date of the July 29, 2026 Final Decision, and each month of delay increases the cost to be

[36] OTT Testimony at 15.
[37] OTT Testimony at 15.

securitized.[38] OTT remains committed to using its oversight authority to streamline, not delay, execution.

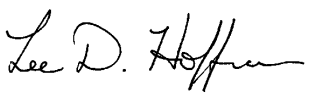
III. Conclusion

For the foregoing reasons, the Office of the Treasurer respectfully requests that, should the Authority find that the issuance of the RRBs is in the best interests of ratepayers, it issue a financing order that the Authority deems appropriate. Should the Authority issue such an order, OTT will act as the Finance Authority to ensure that the steps approved by the Authority are appropriately carried out, that the financing be undertaken in such a way as to achieve triple-A ratings, and to maximize the benefits to Connecticut's ratepayers.

OTT appreciates the Authority's consideration of these important issues.

Respectfully submitted,

THE OFFICE OF THE TREASURER



By: _____

Lee D. Hoffman
Kathryn E. Boucher
Pullman & Comley, LLC
90 State House Square
Hartford, CT 06103
(860) 424-4300
lhoffman@pullcom.com
keboucher@pullcom.com
Its Attorneys

[38] OTT Testimony at 16.

CERTIFICATION

This is to certify that a copy of this submission has been sent to all parties of record via electronic mail on this 12th day of November, 2026. A copy has also been filed with the Authority as an electronic web filing and is complete.

Kate Boucher

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Kathryn E. Boucher, Esq.