The Connecticut Light and Power Company
d/b/a Eversource Energy
Docket No. 26-04-04
Exhibit CLP-FINANCING ORDER-1

**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

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

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**THE CONNECTICUT LIGHT AND POWER COMPANY**

**D/B/A EVERSOURCE ENERGY**

## I. INTRODUCTION

### A. Summary

Sections 16-245e to 16-245k, inclusive, of the Connecticut General Statutes ("Conn. Gen. Stat.") permit an electric distribution company to submit a request to the Public Utilities Regulatory Authority ("PURA") for a financing order to authorize the issuance of bonds (as defined in Conn. Gen. Stat. § 16-245e(a)(1), "Rate Reduction Bonds" or "RRBs") for the purpose of recovering costs that have been determined by PURA to have been prudently and efficiently incurred by an electric distribution company between the period of January 1, 2018, to January 1, 2025 to prepare for and restore power to customers following storms, together with any reasonable fees, expenses and transaction costs incurred in connection with the issuance, servicing, retirement or refinancing of such Rate Reduction Bonds, and provide that any such financing order that is issued by PURA shall become effective in accordance with its terms after the electric distribution company files with PURA its written consent to all terms and conditions of the financing order.

This financing order approves and authorizes the issuance of RRBs for the purpose of recovering certain Storm Costs (as such term is defined below) incurred by The Connecticut Light and Power Company d/b/a Eversource Energy ("CL&P" or the "Company"), together with related fees, expenses and transaction costs, on the terms and conditions described below.

### B. Background

In a Final Decision issued on July 29, 2026 in Docket No. 25-12-13, *Application of The Connecticut Light and Power Company d/b/a Eversource Energy for Order to Securitize 2018-2023 Catastrophic Storm Costs* (the "Storm Costs Order"), PURA determined that a net amount of $667,930,008 in costs incurred by CL&P to prepare for and restore power to customers following storms during the period from May 2018 to December 31, 2023 (the "Storm Costs") had been prudently and efficiently incurred, and authorized CL&P to file a petition in Docket No. 26-04-04 to request a determination from PURA as to whether the issuance of Rate Reduction Bonds to recover such Storm Costs is in the best interests of ratepayers.

Pursuant to Conn. Gen. Stat. § 16-245f(a)(2), on September 25, 2026, CL&P filed a petition (the "Petition") with PURA, seeking the issuance of a financing order to authorize the issuance of Rate Reduction Bonds to recover the Storm Costs and any fees, expenses and transaction costs incurred in connection with the issuance, servicing and retirement of such Rate Reduction Bonds

(as defined in Conn. Gen. Stat. § 16-245e(a)(21), the "Financed Utility Services"). The Company also requested that the Financing Order include a transaction description and certain findings, orders and approvals substantially similar in language to those contained in the Petition, Exhibit CLP-FINANCING ORDER-1. CL&P asserted that the financing order must contain provisions that maximize the likelihood of achieving triple-A ratings on, and enhance the marketability of, the Rate Reduction Bonds.

The Office of the State Treasurer ("OTT"), as finance authority ("Finance Authority") under Conn. Gen. Stat. § 16-245e(a)(4), and its advisors reviewed the Petition, together with a draft of this financing order, drafts of the RRB Transaction documents attached thereto and copies of the testimony and the supporting materials filed by CL&P with the Petition, and filed testimony with PURA by OTT and its advisor, PFM, in support of the Petition (the "OTT Testimony").

### C. Conduct of the Proceeding

PURA held hearings on this matter, during which CL&P presented witnesses who testified in support of its request. As noted above, CL&P consulted with OTT on the Petition, and OTT filed the OTT Testimony with PURA in support of the Petition. An opportunity to cross-examine the witnesses and provide responsive testimony was provided to all parties.

## II. TRANSACTION DESCRIPTION AND APPLICATION OF LAW

### A. The Proposed RRB Transaction

This Section II (the "Transaction Description") describes the RRB Transaction proposed by CL&P and the application to the RRB Transaction of Conn. Gen Stat. §§ 16-245e to 16-245k, inclusive. CL&P requested that this financing order, among other things, approve the following aspects of its proposed RRB Transaction, and find that they are consistent with achieving the targeted triple-A rating and therefore the lowest cost on the Rate Reduction Bonds consistent with market conditions at the time the Rate Reduction Bonds are priced and the terms of this financing order. This proposed structure is subject to certain limited modifications, subsequent to the issuance of this financing order, to allow for negotiations with rating agencies that will assign credit ratings to the Rate Reduction Bonds and market conditions at the time the Rate Reduction Bonds are issued. The final structure of the RRB Transaction will be determined by CL&P at the time the Rate Reduction Bonds are priced, while remaining substantially and materially consistent with the transaction structure described herein, and approved by PURA.

OTT, in its capacity as Finance Authority, has reviewed the transaction structure described herein, and consistent with its active role in overseeing the transaction pursuant to Conn. Gen. Stat. § 16-245e(a)(11), will review the terms and conditions of the Rate Reduction Bonds prior to their finalization (including to confirm that the final transaction structure is substantially and materially consistent with the transaction structure described herein).

**B. Financed Utility Services**

Pursuant to Conn. Gen. Stat. § 16-245e(a)(1), the Rate Reduction Bonds will be issued by one or more special purpose financing entities (collectively, the "Financing Entity") in an amount sufficient to recover CL&P's Financed Utility Services, including the Storm Costs. Pursuant to Conn. Gen. Stat. § 16-245e(a)(21)**,** Financed Utility Services include (A) costs, as determined by PURA consistent with the principles set forth in Conn. Gen. Stat. §§ 16-11, 16-19, and 16-19e, to have been prudently and efficiently incurred between January 1, 2018, and January 1, 2025, by an electric distribution company to prepare for and restore power to customers following storms; and (B) any reasonable fees, expenses, and transaction costs incurred in connection with the issuance, servicing, retirement, or refinancing of Rate Reduction Bonds issued to finance such costs.

Consistent with PURA's determination in the Storm Costs Order, $667,930,008 in Storm Costs incurred by CL&P between 2018 and 2023 will be recovered through the issuance of the Rate Reduction Bonds.

As more fully described in the Direct Testimony of Matthew P. Fallon (the "Eversource Treasury Testimony"), CL&P estimates that (i) the upfront fees, costs and expenses incurred in respect of the Rate Reduction Bonds as described in the Transaction Description (the "Upfront Transaction Costs") will be approximately $6,950,000 and (ii) the ongoing fees, costs and expenses incurred on an annual basis after the issuance of the Rate Reduction Bonds in connection with the RRB Transaction (the "Ongoing Transaction Costs") will be approximately $742,682 annually. The Upfront Transaction Costs and Ongoing Transaction Costs can only be estimated at this time and, with respect to the Upfront Transaction Costs, the actual expenses will not be known until the principal amount of the Rate Reduction Bonds is determined, the applicable RRB Transaction documents are negotiated and the actual fees, costs and expenses are incurred. Current estimates of the upfront and ongoing fees, costs and expenses associated with the RRB Transaction are based on data from other recent offerings of rate reduction bonds by affiliates of utility companies in other states and on estimates provided by the applicable third parties that are expected to incur such costs. After the pricing of, but prior to the issuance of, the Rate Reduction Bonds, CL&P will file an Issuance Advice Letter (as defined below) with PURA, which among other things will set forth the actual amount of upfront RRB Transaction costs.

**C. Transition Property**

As described in more detail below (see "RRB Charge"), CL&P, as initial servicer acting on behalf of the Financing Entity, will recover amounts from its customers sufficient to pay debt service on the Rate Reduction Bonds and the Ongoing Transaction Costs through a portion (the "RRB Charge") of the competitive transition assessment (as defined in Conn. Gen. Stat. § 16-245e(a)(2), the "Competitive Transition Assessment"). The Financing Entity's right to collect the RRB Charge shall be irrevocable as provided in Conn. Gen. Stat. § 16-245i(b)(1), and the charge itself shall be nonbypassable to CL&P's customers pursuant to Conn. Gen. Stat. § 16-245e(a)(2). The RRB Charge shall be allocated among CL&P's customer classes as set forth in the Joint Direct Testimony of Brendan J. O'Brien, Garrett J. Murray and Edward A. Davis (the "Eversource Regulatory Testimony").

The principal asset securing the Rate Reduction Bonds will be the Transition Property. The "Transition Property" is an irrevocable property right created pursuant to Conn. Gen. Stat. § 16-245h(a) and by PURA in this financing order. It includes all right, title, and interest of CL&P or the Financing Entity (A) in and to the RRB Charge established pursuant to this financing order, as adjusted from time to time in accordance with Conn. Gen. Stat. § 16-245i(b)(2) and this financing order; (B) to be paid the amount that is determined in this financing order to be the amount that CL&P or the Financing Entity is lawfully entitled to receive pursuant to Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive, and the proceeds thereof, and in and to all revenues, collections, claims, payments, money, or proceeds of or arising from the RRB Charge; and (C) in and to all rights to obtain adjustments to the RRB Charge pursuant to Conn. Gen. Stat. § 16-245i(b)(2) and this financing order. Conn. Gen. Stat. § 16-245e(a)(13).

When this financing order has become effective in accordance with Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive, the RRB Charge shall constitute Transition Property, and such Transition Property shall thereafter continuously exist as property for all purposes until the Rate Reduction Bonds have been paid in full, including all principal, interest, premium (if any), costs, and arrearages on such bonds. Conn. Gen. Stat. § 16-245h(a).

Pursuant to Conn. Gen. Stat. § 16-245j(b), the State of Connecticut (the "State") has pledged and agreed with the owners of the Transition Property and holders of the Rate Reduction Bonds that neither the State, nor any agency of the State shall limit, alter, amend, reduce or impair the RRB Charge (as a portion of the Competitive Transition Assessment), the Transition Property, any financing order or any rights thereunder, until the Rate Reduction Bonds, 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. This financing order and the RRB Charge authorized to be imposed and collected pursuant hereto are irrevocable, and PURA has no authority, whether by rescinding, altering or amending this financing order or otherwise, to revalue or revise for rate-making purposes the Financed Utility Services, or the costs of providing, recovering, financing or refinancing the Financed Utility Services, to determine that the RRB Charge is unjust or unreasonable, or in any way to reduce or impair the value of the Transition Property. Conn. Gen. Stat. § 16-245i(b)(1).

### D. Formation and Capitalization of Financing Entity

The Rate Reduction Bonds will be issued through a newly formed bankruptcy-remote Financing Entity. (If recommended by the structuring agent for the Rate Reduction Bonds in light of market conditions at the time of their issuance, the Rate Reduction Bonds may be issued in two or more series (i.e., in installments). In such event, CL&P will create a separate bankruptcy-remote special purpose entity to issue each series of bonds. All references herein to the "Financing Entity" shall be deemed to include any such additional issuing entities, if applicable.) The Financing Entity shall be a Delaware limited liability company authorized by PURA to acquire Transition Property and to issue Rate Reduction Bonds pursuant to Conn. Gen. Stat. § 16-245e(a)(11). The Financing Entity will be wholly owned by CL&P. In order for the Financing Entity to remain "bankruptcy-remote" from CL&P, the fundamental organizational documents of the Financing Entity shall impose significant limitations upon its activities and the ability of CL&P to take

actions as the holder of the equity interest therein. The limited purpose of the Financing Entity will be to acquire Transition Property and the Other Financing Entity Collateral (defined below) and to issue and sell Rate Reduction Bonds. 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.

The Financing Entity shall be managed by a management committee consisting of managers, with rights and authority similar to that of a board of directors of a corporation. As long as the Rate Reduction Bonds remain outstanding, CL&P shall be required to cause the Financing Entity to have at least one (1) manager with no affiliation with CL&P (the "Independent Manager"), out of a total management committee of no fewer than three (3) managers. Without the consent of the Independent Manager, the Financing Entity shall be unable (a) to amend provisions of fundamental organizational documents which ensure the bankruptcy-remoteness of the Financing Entity, (b) to institute or to consent to the institution of bankruptcy or insolvency proceedings against it, or (c) to dissolve, liquidate or wind up the Financing Entity. Other provisions may also be included to support the bankruptcy-remote character of the Financing Entity as required by the rating agencies. CL&P will contribute equity capital to the Financing Entity in an amount anticipated to be at least 0.50% of the initial principal balance of Rate Reduction Bonds. This capitalization provides a source of credit enhancement.

The Financing Entity will enter into an administration agreement (the "Administration Agreement") with CL&P, pursuant to which CL&P shall perform administrative services and provide facilities for the Financing Entity to ensure that it is able to perform such day-to-day operations under the RRB Transaction documents. The Administration Agreement incorporates provisions to ensure that CL&P will be paid a fee (the "Administration Fee", which, subject to changes in market conditions and rating agency requirements, shall be an annual amount not to exceed $50,000 and which will be recovered on a semi-annual basis through the RRB Charge) as consideration for the performance of such services and providing such facilities, as described in the Issuance Advice Letter (as defined below). Additionally, and as more fully described below, the Financing Entity will enter into (a) a Purchase and Sale Agreement (as defined below) with CL&P, pursuant to which the Financing Entity shall acquire all of CL&P's rights in the Transition Property, (b) a Servicing Agreement (as defined below) with CL&P, pursuant to which CL&P shall agree to service the Transition Property and be paid a Servicing Fee (as defined below) and (c) an indenture (the "Indenture") with the RRB trustee, which will set forth the terms of the Rate Reduction Bonds after they are established on the pricing date of the bonds. Drafts of the Administration Agreement, the Servicing Agreement and the Indenture accompanied the Petition.

### E. Sale of Transition Property to the Financing Entity

Pursuant to Conn. Gen. Stat. § 16-245h(a), the Transition Property in respect of the Financed Utility Services shall immediately upon its creation vest solely in CL&P as a vested contract right. CL&P may sell the Transition Property to a Financing Entity that makes that property the basis for the issuance of the Rate Reduction Bonds; provided that if any interest in Transition Property is sold or assigned by an electric distribution company to a Financing Entity, PURA will require the electric distribution company to contract with the Financing Entity that it

will continue to operate its system to provide service to its customers, will collect the RRB Charge for the benefit and account of the Financing Entity, and will account for and remit the amount of the RRB Charge so collected to or for the account of the Financing Entity. Conn. Gen. Stat. §§ 16-245h(c) and 16-245h(d).

CL&P shall sell all of its rights in the Transition Property to the Financing Entity, expressly stating in the purchase and sale agreement governing such transfer (the "Purchase and Sale Agreement") that it is a sale or other absolute transfer from CL&P to the Financing Entity. Pursuant to Conn. Gen. Stat. § 16-245k(h), this transfer, having been approved in this financing order, shall be treated as an absolute transfer of all of CL&P's right, title and interest to the Financing Entity, as a true sale, and not as a pledge or other financing, notwithstanding any contrary treatment of such transfer for accounting, tax, or other purposes. The transfer will be deemed perfected as against third persons upon the effectiveness of this financing order and the execution and delivery to the Financing Entity of a written assignment of the Transition Property. Conn. Gen. Stat. § 16-245k(i). Because the transfer is an absolute transfer and true sale to the bankruptcy-remote Financing Entity, CL&P expects, and will obtain, opinions of bankruptcy counsel to the effect that, in the event CL&P were to become the subject of a bankruptcy or insolvency case, the Transition Property transferred to and owned by the Financing Entity would not constitute property of CL&P's bankruptcy estate and would not be available to satisfy the claims of CL&P's creditors.

**F. Issuance of Rate Reduction Bonds**

The Financing Entity will issue and sell Rate Reduction Bonds to capital market investors in one or more series, each of which may be offered in one or more classes or tranches having a different principal amount, term, interest rate and amortization schedule. The form, interest rate (which will be a fixed interest rate), amortization schedule, classes or tranches and number of credit ratings and other characteristics of Rate Reduction Bonds will be determined by CL&P at or before the time of pricing based on then-current market conditions, with the objective being to achieve the targeted triple-A rating and therefore the lowest cost financing consistent with market conditions at the time the Rate Reduction Bonds are priced, while remaining substantially and materially consistent with the transaction structure described herein and approved by PURA. In addition, because the principal amount of Rate Reduction Bonds must be reduced in accordance with Conn. Gen. Stat. § 16-245e(m) by the net present value of certain tax benefits to CL&P arising from the RRB Transaction (as described in further detail under "Tax Considerations" below), the aggregate principal amount of the Rate Reduction Bonds can only be determined closer to the pricing date of the bonds.

Upon final determination of all terms of the Rate Reduction Bonds, expected to occur prior to the commencement of marketing (except with respect to the pricing terms of the bonds, which will be specified at the time of pricing), CL&P will provide to OTT a draft issuance advance letter (the "Issuance Advice Letter") setting forth such terms of the Rate Reduction Bonds. Consistent with its active role as Finance Authority, at or prior to the pricing of the Rate Reduction Bonds, OTT will confirm to CL&P that the draft of the Issuance Advice Letter and the final terms of the Rate Reduction Bonds 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 Issuance Advice Letter reflecting such final terms of the Rate Reduction Bonds. OTT will confirm that the Issuance Advice Letter is consistent with the final terms of the Rate Reduction Bonds and authorize CL&P to so represent to PURA. CL&P will then file with PURA the Issuance Advice Letter. A draft of the Issuance Advice Letter accompanied the Petition.

Pursuant to Conn. Gen. Stat. § 16-245j(a)(1), the Rate Reduction Bonds will be non-recourse to the credit of CL&P or any of its assets. The Rate Reduction Bonds will be secured by the assets of the Financing Entity, including the Transition Property as well as all other assets of the Financing Entity (the "Other Financing Entity Collateral"). The Other Financing Entity Collateral includes (i) the rights of the Financing Entity under the RRB Transaction documents including the Purchase and Sale Agreement by which the Financing Entity acquires all rights in the Transition Property and the agreement setting forth the servicing arrangements between CL&P, in its capacity as servicer (and together with any successor servicer, the "Servicer"), and the Financing Entity (the "Servicing Agreement"), (ii) the Collection Account (as described below) and any subaccounts contained in the Collection Account, including the General Subaccount, the Excess Funds Subaccount and the Capital Subaccount, and (iii) any return on investment on amounts held by the Financing Entity (with the exception of the return on investment on the Capital Subaccount). The Other Financing Entity Collateral will not include any return on investment on amounts held in the Capital Subaccount (as described below), which return on investment will be remitted on a monthly basis to CL&P, in its capacity as the equityholder of the Financing Entity.

It is expected that the Rate Reduction Bonds will be rated by one or more recognized rating agencies. The targeted ratings on the Rate Reduction Bonds will be triple-A.

If more than one class or tranche of Rate Reduction Bonds is issued, each class or tranche of Rate Reduction Bonds may receive principal payments at different times and therefore have different scheduled final payment dates and legal final maturity dates. The scheduled final payment date of the Rate Reduction Bonds for the latest maturing class or tranche is expected to be no more than approximately 12 years from the date of issuance.

The Rate Reduction Bonds are expected to be sold at or near par value and will not in any event be sold for more than par value. Bondholders will receive interest payments on the Rate Reduction Bonds not less frequently than semiannually. The Rate Reduction Bonds will not be subordinated to the claims of any creditors or the equity owner of the Financing Entity (other than for payments of trustee, servicing, and other specified transaction-related fees).

Rate Reduction Bonds will be repaid through the collection of the RRB Charge from all customers, by CL&P or any successor to the CL&P distribution system or any other successor Servicer.

### G. The RRB Charge

Under Conn. Gen. Stat. § 16-245e(a)(2), the RRB Charge, as a portion of the Competitive Transition Assessment, is a nonbypassable charge that may be authorized by PURA pursuant to a

financing order to recover Financed Utility Services that are eligible to be funded with the proceeds of Rate Reduction Bonds. Pursuant to Conn. Gen. Stat. § 16-245g(c), any Competitive Transition Assessment, including the RRB Charge, is to be determined by PURA in a "general and equitable manner" and shall be assessed against all customers at a rate that is applied equally to all customers of the same class. Consistent with Conn. Gen. Stat. § 16-245g(b), PURA must consider the effect on all customer rates and other factors relevant to reducing rates in determining the amount of the RRB Charge and the manner in which and the period over which it shall be imposed. The RRB Charge shall have a generally applicable manner of determination that will be allocated to each rate class based on their respective shares of approved base distribution revenues and will be applied to each rate class based on a per kWh charge applied "equally" to each customer within the identified rate class, as described in the Eversource Regulatory Requirements Testimony. Conn. Gen. Stat. § 16-245g(c). The initial allocation of the RRB Charge among CL&P's customer rate classes shall be set forth in the Issuance Advice Letter.

Consistent with Conn. Gen. Stat. § 16-245g(d), both initially and during the life of the Rate Reduction Bonds, the RRB Charge will be calculated and set at a level intended to pay (i) the principal (in accordance with the expected amortization schedule set forth at pricing), interest and any credit enhancement (including replenishment of any amounts drawn from the Capital Subaccount such that the balance is equal to the targeted level) or premium on the Rate Reduction Bonds, (ii) all reasonable and necessary expenses relating to the RRB Transaction (including the Servicing Fee (as defined below), the Administration Fee, RRB trustee fees and expenses, rating agency fees, legal, accounting and auditing fees, Financing Entity independent managers' fees and any indemnity obligations that are anticipated to be payable under the RRB Transaction documents on or prior to the next RRB payment date), and (iii) any amounts of previous RRB payment requirements not satisfied in the previous payment period for any reason (the required periodic payment of such amounts, the "Periodic RRB Payment Requirements" and collectively, the "Total RRB Payment Requirements"). The RRB Charge is to be adjusted periodically, but not less frequently than annually, as specified in this financing order. Conn. Gen. Stat. § 16-245i(c). (See the description of the True-Up Mechanism below.)

As described in the Eversource Treasury Testimony, the projected RRB Charge will be calculated using assumptions set forth in the Issuance Advice Letter and each subsequent Routine True-Up Letter and Non-Routine True-Up Letter (each as defined below), which shall include but not be limited to projected kWh usage by customer class, expected charge-offs and expected weighted average days sales outstanding.

The total scheduled RRB Charge collections for any annual or, if necessary, shorter period will include collections resulting from bills sent to customers in prior periods and from bills sent in the current period, in each case, as a result of the expected timing of collections from customers of the Company's distribution system. The RRB Charge will vary over the life of the RRB Transaction as a result of several factors, including changes in principal and interest payments due resulting from different payment periods, any amounts required to replenish the Capital Subaccount to the targeted balance if necessary, any amounts of previous Periodic RRB Payment Requirements not satisfied in the previous year, any balance in the Excess Funds Subaccount, the impact of the variability of energy sales and forecasts, changes in payment pattern and charge-off

experience, as well as changes in any Ongoing Transaction Costs. The Servicer's calculation of the RRB Charge will incorporate each of these factors. The RRB Charge will be billed until the Financing Entity has collected sufficient amounts from the RRB Charge to discharge the Total RRB Payment Requirements.

The RRB Charge is expected to be collected over approximately 12 years such that the principal and interest and other costs associated with Rate Reduction Bonds are fully paid by the end of the 12th year. However, if the Rate Reduction Bonds have not been fully repaid by the end of the 12th year, the RRB Charge may be billed and collected for an additional 2 years (or, if earlier, through the date on which the Total RRB Payment Requirements have been discharged). This additional period of up to 2 years is a form of credit enhancement that helps achieve triple-A ratings on the Rate Reduction Bonds and which is expected to have no cost to retail customers (*i.e.*, in the expected case, the Rate Reduction Bonds are paid in approximately 12 years).

While applicable law and regulations do not require the RRB Charge to be separately identified on each customer's monthly bill, in order to support the characterization of the transfer of the Transition Property to the Financing Entity as a "true sale", a footnote to each monthly bill will indicate the component of the Competitive Transition Assessment that consists of the RRB Charge, and that the right to any amounts received in respect of the RRB Charge is owned by the Financing Entity.

**H. Servicing of Rate Reduction Bonds**

After the issuance of the Rate Reduction Bonds, CL&P will act as the Servicer for the Transition Property on behalf of the Financing Entity, and will be responsible for calculating, billing, collecting, and remitting the RRB Charge. Conn. Gen. Stat. § 16-245h(d). CL&P, therefore, will carry out billing and collection activities both as Servicer with respect to the RRB Charge - on behalf of the Financing Entity and RRB holders - and as principal with respect to its own charges to be paid by such customers. As Servicer, CL&P will also be obligated to retain all books and records regarding the RRB Charge, subject to the right of the Financing Entity, the RRB trustee and PURA to inspect those books and records. CL&P, as initial Servicer, may not resign its duties as Servicer except upon either (i) a determination that the performance by it of such duties is no longer permissible under applicable law or (ii) the prior approval of PURA and confirmation (or deemed confirmation) by the applicable rating agencies that such resignation will not result in a suspension, reduction or withdrawal of the then current credit ratings for the Rate Reduction Bonds.

Pursuant to Conn. Gen. Stat. § 16-245k(k), any successor to CL&P, whether pursuant to any bankruptcy, reorganization, or other insolvency proceeding, or pursuant to any merger, sale, or transfer, by operation of law, or otherwise, shall perform and satisfy all obligations of CL&P pursuant to Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive, in the same manner and to the same extent as CL&P, including, but not limited to, collecting and paying to the holders of Rate Reduction Bonds or their representatives or the Financing Entity revenues arising with respect to the Transition Property sold to the Financing Entity or pledged to secure Rate Reduction Bonds.

As consideration for its servicing responsibilities, CL&P or any successor Servicer will receive a market-based periodic servicing fee (the "Servicing Fee"), which will be recovered through the RRB Charge. Subject to changes in market conditions and rating agency requirements, the aggregate amount of the Servicing Fees that are paid to CL&P each year will be equal to 0.05% of the initial principal balance of the Rate Reduction Bonds if CL&P is the Servicer. The Servicing Fee represents a reasonable good faith estimate of an arm's length, market-based fee for servicing the Rate Reduction Bonds and is estimated to cover the Servicer's out-of-pocket costs and expenses in servicing the Rate Reduction Bonds including, without limitation, the costs and expenses of billing, monitoring, collecting and remitting the RRB Charge, and reporting requirements imposed by the Servicing Agreement. In the event that CL&P is replaced as Servicer, and such successor Servicer is not affiliated with CL&P, the annual Servicing Fee payable to such successor Servicer will not exceed 0.60% of the initial principal balance of the Rate Reduction Bonds, unless a higher rate is approved by PURA. If the successor Servicer is an affiliate of CL&P, then the annual Servicing Fee payable to such successor Servicer will be 0.05% of the initial principal balance (equal to the fee payable to CL&P as initial servicer). CL&P (or any successor Servicer) will bill and collect the RRB Charge from CL&P's customers.

In accordance with Conn. Agencies Regs. § 16-3-100-1(b)(2)(j), any customer that fails to pay any RRB Charge will be subject to disconnection of service to the same extent that such customer would, under applicable law and regulations, be subject to disconnection of service for failure to pay any other charge payable to an electric distribution company. In accordance with Conn. Gen. Stat. § 16-245g(e), amounts collected from a customer shall be allocated on a *pro rata* basis among (i) the RRB Charge attributable to the Rate Reduction Bonds issued pursuant to this financing order, (ii) any remaining portion of the Competitive Transition Assessment not the subject of this financing order, and (iii) CL&P's other charges. If CL&P collects less than the full amount that is billed to a customer, CL&P is not permitted, in the allocation of such collections, to favor itself or any other payee over the Financing Entity, as the owner of the Transition Property. This *pro rata* allocation requirement shall be reflected in the Servicing Agreement and in CL&P's billing and collection procedures, and shall apply regardless of the order in which charges appear on a customer's bill.

CL&P or any successor Servicer will periodically remit to the RRB trustee an amount equal to the actual RRB Charge billed, less an allowance for estimated charge-offs as more fully described in the Eversource Treasury Testimony, that are deemed to have been collected since the date of the last such remittance (or, in the case of the initial remittance to the Financing Entity, since the closing date of the RRB Transaction). The deemed collection date of such amounts will be the weighted average number of days after the relevant billing date, based on the Servicer's historical collections experience, that a monthly bill for services remains outstanding before payment by a customer. CL&P anticipates being required by the rating agencies to remit such deemed collections of the RRB Charge to the RRB trustee on a daily basis. The Servicer will reconcile such remittances in respect of deemed collections at least once annually with all actual collections made in the previous calendar year as more fully described in the Eversource Treasury Testimony. To the extent such remittances reflecting billed amounts exceed the actual RRB Charge collected by the Servicer (an "Excess Remittance"), the Servicer will withhold such Excess Remittance amount from any subsequent remittance to the RRB trustee. To the extent such

remittances reflecting billed amounts are less than the actual RRB Charge collected (a "Remittance Shortfall"), the Servicer shall remit the amount of such Remittance Shortfall to the RRB trustee on a future remittance date.

The Financing Entity will use the RRB Charge remittances to make payments of Periodic RRB Payment Requirements. In accordance with Conn. Gen. Stat. §§ 16-245k(e) and (g), in the event of default by any Servicer in payment of the RRB Charge to the Financing Entity, PURA will, upon application by (a) the RRB trustee or RRB holders, (b) such Financing Entity or its assignees, or (c) pledgees or transferees of the Transition Property, order the sequestration and payment to or for the benefit of such Financing Entity or such other party of revenues arising with respect to the Transition Property. This will provide additional certainty that the RRB Charge will benefit the owner of the Transition Property and serve to enhance the credit quality of the Rate Reduction Bonds.

## I. Third Party Suppliers

It is contemplated that CL&P shall act as the Servicer for the Transition Property, including the RRB Charge, until the Rate Reduction Bonds are fully amortized. Under Connecticut law, third party suppliers (a "TPS") are not currently authorized to bill and collect any Competitive Transition Assessment, including the RRB Charge. Accordingly, unless such time (if any) as Connecticut law is amended to permit TPSs to bill and/or collect the Competitive Transition Assessment, TPSs shall be precluded from billing and collecting the RRB Charge or any component thereof, and CL&P, as the initial Servicer (or any successor Servicer), shall be solely responsible for the billing, collection, and remittance of the RRB Charge for the benefit and account of the Financing Entity.

In the event of any future change in Connecticut law pursuant to which TPSs are authorized to bill and/or collect the RRB Charge, the Servicer shall 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 applicable agreement with the Servicer, this financing order, and any applicable laws and regulations in effect from time to time, including 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.

## J. Credit Enhancement and True-Up

Credit enhancement is typically necessary in securitization transactions to provide rating agencies and investors with added confidence that principal and interest will be paid. In order for the Rate Reduction Bonds to receive triple-A ratings, the exposure to losses due to, among other things, sales of energy below those projected, longer-than-expected delays in bill collections, and higher-than-estimated uncollectible accounts, must be minimized. This will be accomplished with the various components of the Collection Account and the True-Up Mechanism (as described below).

The RRB Charge collections will be deposited into a Collection Account, which will be comprised of a General Subaccount (which will hold the collections with respect to principal, interest, fees, and expenses) and at least two other subaccounts - the Capital Subaccount (which will hold an initial cash capital contribution to the Financing Entity in an amount anticipated to be at least 0.50% of the initial principal balance of the Rate Reduction Bonds) and the Excess Funds Subaccount (which will hold any excess collections of the RRB Charge). RRB Charge collections in excess of Periodic RRB Payment Requirements will be allocated (a) to the Capital Subaccount to the extent the amount therein has been reduced to below the initial capital contribution, and (b) to the Excess Funds Subaccount for any remaining amounts.

The RRB Charge will be calculated (both initially and as a result of the True-Up Mechanism described below) to recover all debt service on the Rate Reduction Bonds, as well as Ongoing Transaction Costs. CL&P will file adjustments, up or down, to the RRB Charge pursuant to a true-up mechanism established in accordance with Conn. Gen. Stat. § 16-245i(b)(2) (the "True-Up Mechanism"). The True-Up Mechanism is a periodic adjustment to the RRB Charge to ensure that the aggregate RRB Charge billed for the applicable period will result in RRB Charge collections that are sufficient to meet Periodic RRB Payment Requirements. The Servicer will periodically file with PURA true-up advice letters (as described below) which will specify the new RRB Charge and identify the deemed collection date, the RRB charge-off percentage and the forecasted kWh billed by rate class.

Pursuant to Conn. Gen. Stat. § 16-245i(c), this financing order provides for the following procedure for the timely approval by PURA of periodic adjustments to the RRB Charge:

Not later than Apri1 15 of each year until the Rate Reduction Bonds, RRB Charge and any arrearages are paid in full, the Servicer will file with PURA a true-up advice letter (an "Annual Routine True-Up Letter"). A draft of the form of Annual Routine True-Up Letter accompanied the Petition. The RRB Charge will be adjusted to ensure that there are adequate funds to meet the next two (November 1 and May 1) Periodic RRB Payment Requirements. In addition, if the Servicer, as of October 15 of each year while the Rate Reduction Bonds are outstanding, reasonably projects that expected collections of the RRB Charge will be insufficient to meet the next Periodic RRB Payment Requirements (May 1), the Servicer will file a true-up advice letter (a "Mid-Year Routine True-Up Letter") not later than October 15 of such year. In addition, (a) except during the two Remittance Periods preceding the maturity date of the latest maturing tranche of Rate Reduction Bonds, the Servicer may (but shall not be required to) file an additional true-up advice letter (an "Other Routine True-Up Letter" and, together with the Annual Routine True-Up Letter and Mid-Year Routine True-Up Letter, a "Routine True-Up Letter") not later than the date that is 15 days before the end of the then-current calendar month if the Servicer reasonably projects that expected collections of the RRB Charge will be insufficient to meet the next Periodic RRB Payment Requirements (either May 1 or November 1) and (b) during the two Remittance Periods preceding the maturity date of the latest maturing tranche of Rate Reduction Bonds, if the Servicer reasonably projects that expected collections of the RRB Charge will be insufficient to meet the next Periodic RRB Payment Requirements, the Servicer shall file an Other Routine True-Up Letter not later than the date that is 15 days before the end of the then-current calendar month. Absent manifest error in the relevant Routine True-Up Letter, the resulting upward or downward

adjustments to the RRB Charge will be deemed approved by PURA and effective: (i) in the case of any annual adjustment, on the ensuing May 1; (ii) in the case of any semiannual adjustment in connection with a filing required no later than October 15 of any year, on the ensuing November 1; or (iii) in the case of a more frequent adjustment, on the first day of the calendar month following the filing of the applicable Other Routine True-Up Letter. This True-Up Mechanism is identical to what is currently used by Eversource subsidiary Public Service Company of New Hampshire in its latest securitization financing and substantially similar to what was used in CL&P's 2001 securitization financing.

In addition, CL&P has requested PURA authorization that whenever it is determined that the methodology used to calculate RRB Charge adjustments requires modification to more accurately project and generate adequate RRB Charge collections, a non-routine true-up letter ("Non-Routine True-Up Letter") may be filed, with the resulting RRB Charge adjustment (reflecting such modification to the methodology or model) only to be effective upon review and approval by PURA that such adjustment is necessary to ensure the timely recovery of all Financed Utility Services that are the subject of this financing order, with such review and determination to occur within thirty (30) days of such filing, in accordance with Conn. Gen. Stat. § 16-245i(c).

Both Routine True-Up Letters and Non-Routine True-Up Letters may be filed periodically through the legal final maturity date of the latest maturing class of each series of Rate Reduction Bonds.

Pursuant to Conn. Gen. Stat. § 16-245h(b), any surplus RRB Charge in excess of amounts necessary to pay principal, premium (if any), interest and expenses of the issuance of the Rate Reduction Bonds shall be remitted to the Financing Entity and may be used to benefit customers if this would not result in a recharacterization of the tax, accounting, and other intended characteristics of the financing. When calculating the adjusted RRB Charge, any amounts in the Excess Funds Subaccount as of any true-up date will be taken into account such that the balance in the Excess Funds Subaccount will be expected to be zero at the end of the period for which the RRB Charge is being adjusted. Conn. Gen. Stat. §§ 16-245i(b)(2) and 16-245i(c). On the semi-annual payment dates of May 1 and November 1, if available RRB Charge collections and return on investment in the General Subaccount exceed the amount necessary to pay the Periodic RRB Payment Requirement, such excess will be transferred to the Excess Funds Subaccount and will serve to reduce the RRB Charge and the required amount of the RRB Charge collections in the subsequent period. Conversely, if the available RRB Charge collections and return on investment in the General Subaccount are less than necessary to pay the Periodic RRB Payment Requirement, then any funds in the Excess Funds Subaccount will be used first to meet the Periodic RRB Payment Requirement.

In the unlikely event that, in addition to the credit enhancements described above, other forms of credit enhancement are necessary to obtain triple-A ratings on, or to enhance the marketability of, the Rate Reduction Bonds, the final terms of the Rate Reduction Bonds may provide for additional forms of credit enhancement. Such additional forms of credit enhancement may include letters of credit, surety bonds and/or additional reserve accounts. Such additional

forms of credit enhancement, if any, will be determined in consultation with the Finance Authority and specified in the Issuance Advice Letter.

**K. Tax Considerations**

Under Conn. Gen. Stat. § 16-245j(c)(1), this financing order and the Rate Reduction Bonds shall not be deemed to constitute in any way a debt or liability of the State or of any political subdivision thereof, and shall not constitute a pledge of the full faith and credit of the State or any of its political subdivisions, but shall be payable solely from the RRB Charge provided under Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive, and shall not constitute an indebtedness of the State within the meaning of any constitutional or statutory debt limitation or restriction. All Rate Reduction Bonds shall contain on the face thereof a statement to the following effect: "Neither the full faith and credit nor the taxing power of the State of Connecticut is pledged to the payment of the principal of, or interest on, this bond."

Pursuant to Internal Revenue Service ("IRS") Rev. Proc. 2005-62, as modified by IRS Rev. Proc. 2024-15 (the "Rev. Proc."), a utility company that is subject to the regulatory authority of a state public utility commission or other appropriate state agency (a "Public Utility") and that enters into a Qualifying Securitization (as defined below) to recover costs identified by the state legislature as appropriate for recovery through securitization (as defined in the Rev. Proc., "Specified Costs") will be treated for U.S. federal income tax purposes as not recognizing gross income upon (1) the receipt of a financing order that creates an intangible property right in the amount of the Specified Costs that may be recovered through securitization, (2) the receipt of cash or other valuable consideration in exchange for the transfer of that property right to the financing entity that is wholly owned, directly or indirectly, by the Public Utility, or (3) the receipt of cash or other valuable consideration in exchange for the securitized instruments issued by that financing entity. Rather, the securitized instruments issued under such a Qualifying Securitization will be treated as obligations of the Public Utility and the nonbypassable charges will be treated as gross income to the Public Utility recognized under the Public Utility's usual method of accounting. For purposes of the foregoing, the Rev. Proc. defines a "Qualifying Securitization" as an issuance of bonds, notes, other evidences of indebtedness or certificates of participation or beneficial interest that (1) is secured by the intangible property right to collect charges for the recovery of Specified Costs and such other assets, if any, of the financing entity that is wholly owned, directly or indirectly, by the Public Utility, (2) is issued by a financing entity that is wholly owned, directly or indirectly, by the Public Utility that is initially capitalized by the Public Utility in such a way that equity interests in the financing entity are at least 0.5 percent of the aggregate principal amount of the non-equity interests issued and (3) provides for payments on at least an annual basis.

The RRB Transaction constitutes a Qualifying Securitization within the meaning of the Rev. Proc. As a result, for U.S. federal income tax purposes, CL&P will be treated as not recognizing gross income upon (1) the receipt of this financing order, (2) the receipt of cash from the Financing Entity in exchange for the transfer of the Transition Property to the Financing Entity or (3) the receipt of cash in exchange for the issuance of the Rate Reduction Bonds by the Financing Entity. Rather, amounts collected in respect of the RRB Charge will be treated as gross income to CL&P, recognized under CL&P's usual method of accounting. Generally speaking, as

CL&P paid the Storm Costs as they were incurred between 2018 and 2023, it recognized an expense for tax reporting purposes. Since CL&P recognized the expense for tax reporting purposes without any corresponding revenues, this had the effect of reducing CL&P's taxable income at the time, all else equal. Over the life of the Rate Reduction Bonds, as revenues are collected through the RRB Charge and CL&P amortizes the Transition Property, CL&P will have higher taxable income due to the fact it will recognize amortization expense for book purposes related to the costs previously expensed for tax purposes. The deferral of taxable income to CL&P to such future times as it collects the RRB charge (rather than incurring such taxable income as Storm Costs were incurred or in connection with the RRB Transaction) results in accumulated deferred income taxes to CL&P and provides a tax benefit to CL&P as a result of the deferral.

Pursuant to Conn. Gen. Stat. § 16-245e(m), the net benefits to CL&P of the accumulated deferred income taxes relating to amounts that will be recovered through the issuance of Rate Reduction Bonds for Financed Utility Services shall be credited to retail customers of CL&P by reducing the amount of such Rate Reduction Bonds that would otherwise be issued by the net present value of the related tax cash flows, using a discount rate equal to the expected interest rate on such Rate Reduction Bonds. In order to ensure that the expected interest rate used in such net present value calculation is as close as possible to the actual interest rate of the Rate Reduction Bonds (or the weighted average interest rate, if the bonds are issued in two or more tranches), the amount of such credit, and thus the initial aggregate principal amount of the Rate Reduction Bonds, will not be calculated until shortly before the commencement of marketing with respect to the Rate Reduction Bonds. The amount of such credit, as calculated by CL&P at such time, and the initial aggregate principal amount of the Rate Reduction Bonds will be set forth in the Issuance Advice Letter. After the actual interest rate(s) of the Rate Reduction Bonds have been determined on their pricing date, CL&P will re-calculate the net present value of the tax benefit described above using a discount rate equal to the actual interest rate (or weighted average interest rate) of the Rate Reduction Bonds. To the extent that the net present value of such tax benefit, as calculated by CL&P after such pricing date, is greater than the net present value of such tax benefit that was calculated by CL&P at the time that it determined the initial aggregate principal amount of the Rate Reduction Bonds, the difference shall be credited to CL&P's retail customers by reducing the aggregate amount of the Competitive Transition Assessment that would otherwise be imposed on such customers following the closing date of the bond offering by an amount equal to such difference. To the extent that the net present value of such tax benefit, as calculated by CL&P after such pricing date, is less than the net present value of such tax benefit that was calculated by CL&P at the time that it determined the principal amount of the Rate Reduction Bonds, CL&P shall be entitled to make a corresponding increase to aggregate amount of the Competitive Transition Assessment that is imposed on its retail customers following the closing date of the bond offering. For the avoidance of doubt, no adjustments to the Competitive Transition Assessment shall reduce or impair the Rate Reduction Bonds, the Transition Property or the RRB Charge.

Pursuant to Conn. Gen. Stat. § 16-245j(c)(3), the exercise of the powers granted by Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive, shall be in all respects for the benefit of the people of the State of Connecticut, for the increase of their commerce, welfare, and prosperity, and as the exercise of such powers shall constitute the performance of an essential public function, neither

the Financing Entity, CL&P, any affiliate of CL&P, nor any collection or other agent of the foregoing shall be required to pay any taxes or assessments upon or in respect of any revenues or property received, acquired, transferred, or used under the provisions of Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive, or upon or in respect of the income therefrom, and the Rate Reduction Bonds shall be treated as issued by or on behalf of a public instrumentality created under the laws of the State of Connecticut for purposes of Chapter 229 of the Connecticut General Statutes.

All required corporate tax filings will be made by CL&P (or Eversource Energy as the parent of the consolidated group of which CL&P is a member for federal income tax purposes). The Financing Entity, as a wholly-owned subsidiary of CL&P that is a disregarded entity for U.S. federal income tax purposes, will not be required to make tax filings and will not be obligated to contribute to the tax liabilities of CL&P.

**L. Accounting and Financial Reporting**

The amount financed through the RRB Transaction is expected to be recorded in accordance with generally accepted accounting principles ("GAAP") as long-term debt on the balance sheet of the Financing Entity for financial reporting purposes. CL&P, the Financing Entity, and the holders of Rate Reduction Bonds will expressly agree pursuant to the terms of the applicable documents to treat the Rate Reduction Bonds as debt of the Financing Entity secured by, among other things, the Transition Property and the Other Financing Entity Collateral. Because CL&P, and, indirectly, Eversource Energy as the parent of the consolidated group of which CL&P is a member, will wholly own the Financing Entity, it is required that the Financing Entity be consolidated with CL&P and Eversource Energy for financial reporting purposes under GAAP. Therefore, the Financing Entity's debt will appear on the consolidated balance sheets of both CL&P and Eversource Energy in their respective annual and quarterly financial filings to the Securities and Exchange Commission.

The RRB Transaction is not expected to impact CL&P's credit ratings, as it is expected that the rating agencies will determine that the Rate Reduction Bonds, which are not supported by CL&P's general revenue stream, and not collateralized by the assets of CL&P, do not affect CL&P's creditworthiness. Therefore, it is anticipated that the rating agencies will exclude the Rate Reduction Bonds as debt of CL&P for purposes of calculating financial ratios.

Pursuant to Conn. Gen. Stat. § 16-245h(b), any surplus RRB Charge shall not be used in any manner that would result in a recharacterization of the intended characteristics of the financing, including: (1) treating the Rate Reduction Bonds as debt of CL&P or its affiliates for federal income tax purposes; (2) treating the transfer of the Transition Property by CL&P as a true sale for bankruptcy purposes; or (3) avoiding any adverse impact of the financing on the credit rating of the Rate Reduction Bonds or CL&P.

**M. True-Sale Opinion and Collection Shortfalls**

Rating agencies will require acceptable opinions of bankruptcy counsel at the time the Rate Reduction Bonds are issued for assurance that the Financing Entity and the Transition Property will be bankruptcy-remote from CL&P. To obtain such opinions, the transfer of the Transition

Property from CL&P to the Financing Entity must constitute a legal "true sale" such that if CL&P were to become the subject of a bankruptcy or insolvency case, the Transition Property would not be part of CL&P's bankruptcy estate and therefore would not be subject to the claims of CL&P's creditors.

Conn. Gen. Stat. § 16-245k(h) expressly provides that transfers of Transition Property by an electric distribution company to an affiliate or to a financing entity, which the parties have in the governing documentation expressly stated to be a sale or other absolute transfer, in a transaction approved in a financing order, shall be treated for all purposes as an absolute transfer and a true sale and not as a pledge or other financing, of the Transition Property, in each case notwithstanding any contrary treatment of such transfer for accounting, tax, or other purposes. Granting to holders of Rate Reduction Bonds a preferred right to revenues of the Financing Entity, or the provision by CL&P of other credit enhancement with respect to Rate Reduction Bonds, shall not impair or negate the characterization of any transfer as a true sale. In addition, pursuant to Conn. Gen. Stat. § 16-245j(a)(1), the Rate Reduction Bonds will be non-recourse to the credit of CL&P or any of its assets, other than the Transition Property sold to the Financing Entity and the Other Financing Entity Collateral.

Another element of the bankruptcy analysis focuses on the separate legal status of CL&P and the Financing Entity. Although CL&P will wholly own the Financing Entity, the RRB Transaction will be structured so that, in the event of a bankruptcy of CL&P, the Financing Entity's separate legal existence would be respected and the assets and liabilities of the Financing Entity would remain separate from the estate of CL&P. The structural elements supporting such separate existence include, without limitation, requirements that the Financing Entity be adequately capitalized, that CL&P be adequately compensated on an arms-length basis for the servicing functions it performs in billing, collecting, and remitting the RRB Charge, that the Financing Entity has at least one Independent Manager, and that CL&P and the Financing Entity take certain steps to ensure that creditors are not misled as to their separate existence. These structural protections are important because, without such protections, a bankruptcy court might invoke the doctrine of "substantive consolidation" and disregard the Financing Entity's separate existence. Substantive consolidation is an equitable doctrine in bankruptcy cases that allows courts to disregard the separate existence of two or more affiliated entities to ensure the equitable treatment of all creditors and to maximize creditor recoveries. When entities are "substantively consolidated" in a bankruptcy proceeding, their assets and liabilities are pooled, thereby eliminating intercompany claims, and claims of third-party creditors against any of those entities are generally treated as claims against the common pool of assets created by consolidation.

In order to preserve the bankruptcy-remote status of the Financing Entity and the true-sale nature of the Transition Property and Other Financing Entity Collateral once it is transferred to the Financing Entity, CL&P cannot have any claim against the RRB Charge. In its capacity as Servicer, CL&P will bill the RRB Charge along with other charges for services rendered to retail customers obligated to pay such charges, and partial collections will be allocated on a *pro rata* basis in accordance with Conn. Gen. Stat. § 16-245g(e), as described under "Servicing of Rate Reduction Bonds" above.

**N. Pledge of Transition Property**

Pursuant to Conn. Gen. Stat. § 16-245k(g), upon the effective date of this financing order, there shall exist a first priority lien on all Transition Property then existing or thereafter arising pursuant to the terms of this financing order. This lien shall arise by operation of law automatically without any action on the part of CL&P, any affiliate thereof, the Financing Entity, or any other person. This lien shall be valid, perfected, and enforceable against CL&P, any affiliate thereof, the Financing Entity, and all third parties upon the effectiveness of this financing order without any further public notice. This lien shall secure all obligations, then existing or subsequently arising, to the holders of the Rate Reduction Bonds issued pursuant to this financing order and to the trustee or representative for such holders. CL&P expects that the trustee for the holders of the Rate Reduction Bonds will file financing statements with respect to the Transition Property, which will constitute a "protective filing" pursuant to Conn. Gen. Stat. § 16-245k(g). This lien shall attach to the Transition Property regardless of who shall own, or shall subsequently be determined to own, the Transition Property, including CL&P, any affiliate thereof, the Financing Entity, or any other person. A perfected statutory lien in Transition Property is a continuously perfected lien in all revenues and proceeds arising with respect thereto, whether or not the revenues or proceeds have accrued.

Pursuant to Conn. Gen. Stat. § 16-245k(g), the persons for whose benefit this lien is established shall, upon the occurrence of an event of default as defined in the Indenture governing the Rate Reduction Bonds, have all rights and remedies of a secured party upon default under Article 9 of Title 42a of the Conn. Gen. Stat., and shall be entitled to foreclose or otherwise enforce this statutory lien in the Transition Property. Pursuant to Conn. Gen. Stat. §§ 16-245k(e) and (g), in the event of default by CL&P in payment of revenues arising with respect to the Transition Property, PURA and any successor thereto, upon the application by the pledgees or transferees of the Transition Property, and without limiting any other remedies available to the pledgees or transferees by reason of the default, shall order the sequestration and payment to the pledgees or transferees of revenues arising with respect to the Transition Property. Any such order shall remain in full force and effect notwithstanding any bankruptcy, reorganization, or other insolvency proceedings with respect to CL&P.

**O. Use of Proceeds**

Pursuant to Conn. Gen. Stat. § 16-245j(c)(4)(A), the use of proceeds from the issuance of the Rate Reduction Bonds shall be applied for the purposes approved by PURA in this financing order. The Financing Entity will transfer the proceeds from the issuance of the Rate Reduction Bonds, net of its transaction costs, if any, to CL&P as consideration for the transfer of the Transition Property to the Financing Entity. The RRB proceeds received by CL&P will be used by CL&P as follows:

- To recover the Storm Costs approved for recovery in the Storm Costs Order (i.e., the $667,930,008 in costs incurred between 2018 and 2023 to prepare for and restore power to customers following storms that have been determined by PURA to have been prudently and efficiently incurred).

- To pay upfront transaction costs incurred in connection with the issuance of the Rate Reduction Bonds.
- To redeem short term debt and to pay a return of capital to Eversource Energy to maintain a consistent capital structure at CL&P.

In accordance with Conn. Gen. Stat. § 16-245j(c)(4)(A), proceeds of the Rate Reduction Bonds shall not be applied to purchase generation assets or to purchase or redeem stock or to pay dividends to parent company shareholders or to pay operating expenses other than taxes resulting from the receipt of such proceeds.

## III. FINDINGS OF FACT

Based on the foregoing, PURA hereby FINDS:

### A. Overall Findings

1. The issuance of this financing order is pursuant to a petition by CL&P in accordance with Conn. Gen. Stat. § 16-245f(a)(2), following hearings on that petition conducted as a contested case in accordance with the Uniform Administrative Procedure Act (Conn. Gen. Stat. §§ 4-166 *et seq*., codified in Chapter 54). Conn. Gen. Stat. § 16-245g(a).

2. PURA has conducted the procedures and investigations in this proceeding and issued this financing order pursuant to Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive.

### B. Findings Regarding the Establishment of the Financed Utility Services

1. CL&P, through the Financing Entity, will issue Rate Reduction Bonds in an amount not to exceed the sum of (a) $667,930,008, plus (b) the amount of fees, costs and expenses incurred in connection with the issuance of the Rate Reduction Bonds, minus (c) the net present value of the net benefits to CL&P of the accumulated deferred income taxes relating to the Financed Utility Services that will be recovered through the issuance of the Rate Reduction Bonds, as calculated by CL&P shortly before the commencement of marketing with respect to the Rate Reduction Bonds using a discount rate equal to the expected interest rate (or, if more than one tranche of bonds is expected to be issued, the expected weighted average interest rate) on the Rate Reduction Bonds.

2. The Storm Costs and the Upfront Transaction Costs, Ongoing Transaction Costs, and any other fee, cost or expense in respect of the Rate Reduction Bonds as described in the Transaction Description, are Financed Utility Services within the meaning of Conn. Gen. Stat. § 16-245e(a)(21).

3. All Financed Utility Services will be recovered through the RRB Charge, to be assessed against and collected from all CL&P's customers taking retail electric service.

**C. Findings Regarding the RRB Charge**

1. The RRB Charge will be established, adjusted, maintained and collected from all customers during the term that the Rate Reduction Bonds are outstanding in accordance with the terms of Conn. Gen. Stat. § 16-245g, and as described in the Transaction Description. The RRB Charge:

(a) will be a nonbypassable, appropriately structured charge of limited duration;

(b) will be a monthly usage-based charge and separately identified on each customer's monthly bill, and while the RRB Charge may vary by customer class and between special contract customers, it will be imposed on all customers at a rate applied equally to all customers of the same class; and

(c) will be in aggregate amount necessary and sufficient to provide for the full recovery and payment of the Total RRB Payment Requirements.

2. The procedures and methodologies for adjusting the RRB Charge as necessary to ensure the timely recovery of all Financed Utility Services during the term that the Rate Reduction Bonds are outstanding, as set forth in the Transaction Description, will serve to reconcile the actual RRB Charge collected with the RRB Charge expected to have been collected during the relevant prior periods in a manner such that the adjusted RRB Charge will be sufficient to provide for the full recovery of the Periodic RRB Payment Requirements for the next payment date.

3. The procedures and methodologies for ensuring that the RRB Charge is collected from all customers that obtain retail electric service, as described in the Transaction Description, will be sufficient to provide for the full recovery of the Total RRB Payment Requirements.

4. The range of rates projected for the RRB Charge, based on evidence in the record concerning estimated interest costs, electricity costs, other economic factors, and the procedures and methodologies for establishing rates set forth in the Eversource Treasury Testimony and the Eversource Regulatory Testimony are reasonable, affordable, appropriate and in the best interests of ratepayers, and reasonably balance the competing interests of consumers and RRB investors so that RRB investors will realize a reasonable return and customers will not suffer any undue burden.

**D. Findings Regarding the Issuance of the Rate Reduction Bonds**

1. In order to obtain the highest rating on the Rate Reduction Bonds as possible, commensurate with achieving the targeted triple-A rating and therefore the lowest cost on the Rate Reduction Bonds consistent with market conditions then in existence at the time the Rate Reduction Bonds are priced and the terms of this financing order, the following terms of the

Rate Reduction Bonds will be determined on or before the time that they are priced, as long as the resulting issuance is consistent with the Transaction Description:

(a) The amount of the capitalization of the Financing Entity;

(b) The form, interest rate, price, amortization schedule, legal final maturity dates, number of series, number of classes or tranches and their principal amount, number of credit ratings and other characteristics of Rate Reduction Bonds;

(c) The all-in cost of the Rate Reduction Bonds;

(d) The rating agencies from which it will seek ratings for the Rate Reduction Bonds, the number of ratings agencies from which ratings shall be sought, and the actual ratings level targeted;

(e) The annual Servicing Fee for any successor Servicer will be no more than 0.05% of the initial principal balance of the Rate Reduction Bonds if the successor Servicer is an affiliate of CL&P and no more than 0.60% of the initial principal balance of the Rate Reduction Bonds if the successor Servicer is not affiliated with CL&P;

(f) The number of subaccounts of the Collection Account into which the RRB Charge collections will be deposited; and

(g) Such other Upfront Transaction Costs and Ongoing Transaction Costs, as described in the Transaction Description, as may be required by the rating agencies and tax authorities.

2. The Rate Reduction Bonds will be non-recourse to CL&P and its assets, but will be secured by a pledge of all right, title, and interest of the Financing Entity in its Transition Property and Other Financing Entity Collateral.

3. As provided in Conn. Gen. Stat. § 16-245j(c)(1), Rate Reduction Bonds issued pursuant to this financing order shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof, and shall not constitute a pledge of the full faith and credit of the State or any of its political subdivisions, but shall be payable solely from the RRB Charge, and shall not constitute an indebtedness of the State within the meaning of any constitutional or statutory debt limitation or restriction and, accordingly, shall not be subject to any statutory limitation on the indebtedness of the State and shall not be included in computing the aggregate indebtedness of the State in respect to and to the extent of any such limitation.

4. As provided in Conn. Gen. Stat. § 16-245j(c)(3), neither the Financing Entity nor any collection or other agent of the foregoing shall be required to pay any taxes or assessments upon or in respect of any revenues or property received, acquired, transferred, or used under the provisions of Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive, or upon or in respect of the income therefrom, and the Rate Reduction Bonds shall be treated as issued by or on behalf

of a public instrumentality created under the laws of the State of Connecticut for purposes of Chapter 229 of the Connecticut General Statutes.

**E. Findings Regarding the Establishment of Transition Property**

1. The RRB Charge constitutes Transition Property within the meaning of Conn. Gen. Stat. § 16-245e(a)(13). The Transition Property will represent a vested contract right, including, without limitation, the right, title and interest of CL&P or the Financing Entity in and to (A) the RRB Charge established pursuant to this financing order, as adjusted from time to time in accordance with Conn. Gen. Stat. § 16-245i(b)(2) and this financing order, (B) the right to be paid from the RRB Charge an amount sufficient to ensure recovery of the Financed Utility Services and the costs of issuing, servicing and retiring the Rate Reduction Bonds, including all revenues, collections, claims, payments, money, or proceeds of or arising from the RRB Charge, and (C) all rights to obtain adjustments to the RRB Charge pursuant to the terms of Conn. Gen. Stat. § 16-245i(b)(2) and this financing order.

2. As provided in Conn. Gen. Stat. § 16-245e(a)(13), Transition Property shall constitute a current and irrevocable property right, notwithstanding the fact that the value of such property right may depend upon electricity usage or the performance by CL&P of certain services. Consistent with Conn. Gen. Stat. §§ 16-245i(b)(1) and 16-245i(b)(3), this financing order, the RRB Charge authorized herein and the Transition Property created hereby shall continue in full force and effect, and shall be enforceable in accordance with their terms, notwithstanding any bankruptcy, reorganization, or other insolvency proceeding with respect to CL&P, any affiliate of CL&P, or the Financing Entity, and notwithstanding any sale, assignment, merger or other transfer by or with respect to CL&P. Conn. Gen. Stat. § 16-245k(k).

3. As provided in Conn. Gen. Stat. § 16-245j(b), the State has pledged and agreed with the owners of the Transition Property and holders of the Rate Reduction Bonds that neither the State, nor any of its agencies, including PURA, will limit, alter, amend, reduce or impair the RRB Charge, Transition Property, this financing order or any rights hereunder or thereunder, until the Rate Reduction Bonds, together with all interest thereon, are fully met and discharged, unless adequate provision is made by law for the protection of the owners and holders.

4. The RRB Charge imposed, and the Transition Property established, pursuant to this financing order will be irrevocable, and the prohibition established in Conn. Gen. Stat. § 16-245i(b)(1) against any rescission, alteration, or amendment of this financing order or the taking of any other action, directly or indirectly, to revalue or revise the RRB Charge or the Financed Utility Services will be binding upon PURA and any successor thereto.

5. The owner of the Transition Property will have the right to recover an aggregate amount equal to the Total RRB Payment Requirements until the Rate Reduction Bonds have been discharged in full through continued assessment, collection, and remittance of the RRB Charge from all customers taking retail electric service.

**F. Findings Regarding the Financing Entity and the Sale of the Transition Property to the Financing Entity**

1. The organization and capitalization of the Financing Entity in accordance with the Transaction Description or as may be required by the rating agencies and tax authorities will, along with other measures, enable the Rate Reduction Bonds to receive the targeted triple-A rating and therefore the lowest cost on the Rate Reduction Bonds under then-current market conditions at the time of pricing and the terms of this financing order.

2. The Financing Entity is a "Financing Entity" within the meaning of Conn. Gen. Stat. § 16-245e(a)(11).

3. In accordance with Conn. Gen. Stat. § 16-245k(h), the sale and transfer of the Transition Property by CL&P to the Financing Entity pursuant to this financing order shall be treated as an absolute transfer of all of CL&P's right, title, and interest, as a legal true sale, and not as a pledge or other financing, of the Transition Property, in each case notwithstanding the following, which are hereby determined not to affect such absolute transfer and legal true sale: (i) any contrary treatment of such transfer for accounting, tax or other purposes, (ii) certain indemnities (including mandatory redemption or repurchase obligations related thereto) provided for in the Rate Reduction Bonds or in the RRB Transaction documents, (iii) CL&P's collection of the RRB Charge pursuant to the Servicing Agreement authorized by this financing order, or (iv) CL&P's providing any credit enhancement to the Financing Entity as described in the Transaction Description.

**G. Findings Regarding Related Agreements and Accounting and Collections**

1. CL&P will enter into a Servicing Agreement, Purchase and Sale Agreement and Administration Agreement with the Financing Entity to consummate the RRB Transaction and to implement this financing order, as described in the Transaction Description. CL&P shall file a copy of the executed Servicing and Administration Agreements with PURA within three business days of their effective dates.

2. The Financing Entity will enter into an Indenture with the RRB trustee to specify the final terms of the Rate Reduction Bonds (as set forth in the Issuance Advice Letter), consummate the RRB Transaction and implement this financing order, as described in the Transaction Description. The Financing Entity shall file a copy of the executed Indenture with PURA within three business days of its effective date.

3. When the Rate Reduction Bonds are paid in full and the Total RRB Payment Requirements have been discharged, any balance in the Capital Subaccount (including investment earnings) shall belong and be returned to CL&P in its capacity as equity holder of the Financing Entity (and for the avoidance of doubt shall not be credited to CL&P's customers), and any balance in the General Subaccount and the Excess Funds Subaccount shall be credited to CL&P's customers.

## IV. CONCLUSION, AUTHORIZATIONS AND ORDERS

### A. Conclusions

1. The issuance of this financing order is consistent with the statutory authority vested under Conn. Gen. Stat. § 16-245i(a) to issue financing orders in accordance with Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive, to facilitate the provision, recovery or financing of Financed Utility Services. This financing order is approved under the authority of and issued pursuant to Conn. Gen. Stat. §§ 16-245e(l), 16-245f(a)(2) and 16-245i(a).

2. The issuance of this financing order, the implementation of the securitization transaction described in the Transaction Description, and the consummation of the RRB Transaction in accordance herewith, are in the best interests of ratepayers and consistent with the provisions of Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive.

3. The Rate Reduction Bonds issued or sold pursuant to or in reliance on and in accordance with this financing order will be valid and binding in accordance with their terms notwithstanding that this financing order is later vacated, modified, or otherwise held to be wholly or partly invalid, unless operation of this financing order has been enjoined, stayed, or suspended by PURA or a court of competent jurisdiction prior to such issuance as provided in Conn. Gen. Stat. § 16-245j(d).

4. This financing order and the RRB Charge authorized to be imposed and collected pursuant to this financing order shall be irrevocable and neither PURA nor any successor thereto shall take any action to rescind, alter or amend this financing order or otherwise to, directly or indirectly, revalue or revise for ratemaking purposes the Financed Utility Services, or the costs of providing, recovering or financing the Financed Utility Services, determine that such RRB Charge is unjust or unreasonable, or in any way reduce or impair the value of the Transition Property either directly or indirectly by taking such RRB Charge into account when setting other rates for CL&P, nor shall the amount of revenues arising with respect to the RRB Charge be subject to reduction, impairment, postponement or termination.

### B. Approvals and Authorizations

Based on the foregoing, PURA hereby GRANTS the following Approvals and Authorizations:

#### 1. Approval Regarding the Establishment of the Financed Utility Services

1. PURA approves and designates as Financed Utility Services, within the meaning of Conn. Gen. Stat. § 16-245e(a)(21): (i) $667,930,008 in Storm Costs and (ii) all Upfront Transaction Costs and Ongoing Transaction Costs and any other fee, cost or expense in respect of the Rate Reduction Bonds as described in the Transaction Description. Such Financed Utility Services are reasonable and are eligible to be financed through the issuance of the Rate Reduction Bonds and recovery of the RRB Charge, in accordance with this financing order.

**2. Approvals Regarding the RRB Charge**

1. The RRB Charge to be established, adjusted, maintained and collected from all customers taking retail electric service during the term that the Rate Reduction Bonds are outstanding in accordance with the terms of Conn. Gen. Stat. §§ 16-245e(a)(2) and 16-245g, and as described in the Transaction Description, is just and reasonable and is hereby approved.

2. The initial RRB Charge, as determined in accordance with the Transaction Description and Conn. Gen. Stat. § 16-245g, and to be filed in the Issuance Advice Letter, is just and reasonable and is hereby approved. Such initial RRB Charge will be effective upon such filing.

3. The procedures and methodologies set forth in this financing order for adjusting the RRB Charge during the term that the Rate Reduction Bonds are outstanding pursuant to the True-Up Mechanism as described in the Transaction Description, including the deemed approval by PURA absent manifest error of adjustments to the RRB Charge set forth in Routine True-Up Letters, is just and reasonable, and is hereby approved.

4. The procedures and methodologies set forth in this financing order for ensuring that the RRB Charge is collected from all customers that obtain retail electric service, as described in the Transaction Description, are just and reasonable, and are hereby approved.

5. The methodology for allocating the RRB Charge among CL&P's customer rate classes, as described in the Transaction Description, is just and reasonable, consistent with Conn. Gen. Stat. § 16-245g(c), and is hereby approved.

6. The procedures for the billing, collection and remittance of the RRB Charge, as described in the Transaction Description, are just and reasonable, and are hereby approved.

**3. Approvals Regarding the Issuance of the Rate Reduction Bonds**

1. The issuance of the Rate Reduction Bonds substantially in accordance with the Transaction Description, including but not limited to the terms and amounts of the Rate Reduction Bonds, the scheduled final payment dates for the latest maturing class or tranche of the Rate Reduction Bonds of up to approximately 12 years, the legal final maturity dates of the Rate Reduction Bonds of up to approximately 14 years, the Upfront Transaction Costs and Ongoing Transaction Costs expected to be incurred in issuing and servicing the Rate Reduction Bonds, and the uses of the proceeds from the issuance of the Rate Reduction Bonds, are reasonable and consistent with the public good, and are hereby approved.

2. The final terms and conditions of the Rate Reduction Bonds authorized by this financing order, including but not limited to the total principal amount, the schedule of principal amortization, frequency of principal or interest payments, the interest rates on the Rate Reduction Bonds and manner of setting such interest rates, redemption features, if any, the manner of sale of the Rate Reduction Bonds, the number of credit ratings, the capital contribution amount

and all other terms and conditions of the Rate Reduction Bonds, the approval of final transaction documents, and certain Upfront Transaction Costs and Ongoing Transaction Costs, shall, to the extent consistent with the provisions of this financing order, be determined by CL&P at or around the time that the Rate Reduction Bonds are priced, after input from OTT, the rating agencies, the structuring agent (expected to be Goldman Sachs & Co.) and the other underwriters for the bonds, and after CL&P has a reasonable basis to calculate the net present value of the net benefits to CL&P of the accumulated deferred income taxes relating to the Financed Utility Services that will be recovered through the issuance of the Rate Reduction Bonds (using a discount rate equal to the expected interest rate (or, if more than one tranche of bonds is expected to be issued, the expected weighted average interest rate) on such Rate Reduction Bonds at the time that such calculation is made). This procedure for issuing the Rate Reduction Bonds, based on current market conditions at the time of pricing, and directed to achieve the targeted triple-A rating and therefore the lowest cost on the Rate Reduction Bonds, including CL&P's filing of the Issuance Advice Letter, after OTT's confirmation that the Issuance Advice Letter is consistent with the terms and conditions specified and agreed by OTT prior to the finalization of the terms of the bonds, in accordance with this financing order is reasonable and in the best interests of ratepayers, and is hereby approved. The increase or reduction (as applicable) of the Competitive Transition Assessment, as described in the Transaction Description, to reflect any difference between the amount of the net present value of such tax benefit as calculated by CL&P at the time that the initial aggregate principal amount of the Rate Reduction Bonds is determined and the amount of the net present value of such tax benefit as re-calculated by CL&P following the pricing date of the bonds, is in the best interests of ratepayers and is hereby approved, provided, that no adjustments to the Competitive Transition Assessment shall reduce or impair the Rate Reduction Bonds, the Transition Property or the RRB Charge.

3. The method for calculating the initial aggregate principal amount of the Rate Reduction Bonds, as set forth in the Transaction Description, is just and reasonable. The calculation by CL&P shortly before the commencement of marketing with respect to the Rate Reduction Bonds of the net present value of the net benefits to CL&P of the accumulated deferred income taxes relating to the Financed Utility Services that will be recovered through the issuance of the Rate Reduction Bonds, using a discount rate equal to the expected interest rate (or weighted average interest rate, as applicable) on the Rate Reduction Bonds, and the reduction of the initial aggregate principal amount of Rate Reduction Bonds that may be issued by such amount, is consistent with the requirements of Conn. Gen. Stat. § 16-245e(m).

4. Upon the filing by CL&P of its written consent to all terms and conditions of this financing order and of an Issuance Advice Letter setting forth the final terms of the Rate Reduction Bonds, CL&P is authorized to consummate the RRB Transaction, and the Financing Entity is authorized to issue Rate Reduction Bonds in an amount sufficient to recover the Financed Utility Services, upon the authority granted in this financing order, without further action or order by PURA.

**4. Approvals Regarding the Establishment of the Transition Property**

1. The creation and establishment for the benefit of CL&P (or any assignee in accordance with the terms of this financing order) of the Transition Property is hereby approved. Such Transition Property, constituted and effective in accordance with Conn. Gen. Stat. §§ 16-245e(a)(13) and 16-245h(a), will be entitled to all treatment and rights accorded to Transition Property under Conn. Gen. Stat. §§ 16-245e to 16-245k, inclusive.

2. The Transition Property established by this financing order will represent a vested contract right in accordance with Conn. Gen. Stat. §§ 16-245h(a) and 16-245k(c) for all purposes, including for the purpose of contracts securing the Rate Reduction Bonds, whether or not the revenues and proceeds arising with respect to the RRB Charge have accrued at the time of this financing order, and will include, without limitation, (a) all right, title, and interest in and to the RRB Charge authorized by this financing order, including the initial RRB Charge set forth in the Issuance Advice Letter, as may be adjusted from time to time in order to recover the Financed Utility Services and to generate amounts sufficient to discharge an amount equal to the Periodic RRB Payment Requirements, for the period which such RRB Charge will be billed, as found and authorized herein, (b) the right to be paid an amount equal to the Financed Utility Services and all revenues, collections, claims, payments, money, or proceeds of or arising from the RRB Charge and (c) all rights to obtain periodic adjustments and non-routine adjustments to the RRB Charge in accordance with the True-Up Mechanism. The Transition Property shall continue to exist until the Rate Reduction Bonds are paid in full, including all principal, interest, premium (if any), costs, and arrearages thereon.

3. The Transition Property created and established by this financing order will constitute an irrevocable vested property right of the owner thereof or its assignee or transferee, which continuously exists until the owner or its assignee or transferee has received collections with respect to the RRB Charge sufficient to discharge the Total RRB Payment Requirements in full. Such property right may not be limited, altered, amended, reduced, or impaired by any subsequent actions of the State or any of its agencies, including PURA. Nothing in this paragraph shall preclude such limitation, alteration, amendment, reduction, or impairment if and when adequate provision shall be made by law for the protection of the owner of the Transition Property and the holders of the Rate Reduction Bonds.

4. CL&P's proposed use of the proceeds from the sale of the Transition Property to the Financing Entity as described in the Transaction Description constitutes a permissible use of such proceeds in accordance with Conn. Gen. Stat. § 16-245j(c)(4)(A) and is hereby approved.

**5. Approvals Regarding the Financing Entity**

1. The creation of one or more bankruptcy-remote special purpose entities to issue the Rate Reduction Bonds in accordance with the Transaction Description, each of which will be a Financing Entity as defined in Conn. Gen. Stat. § 16-245e(a)(11), and to which the Transition Property subject to this financing order may be sold, is hereby approved.

2. The capitalization by CL&P of the Financing Entity, in accordance with the Transaction Description and Findings, is hereby approved.

**6. Approvals Regarding the Sale and Assignment of the Transition Property**

1. The sale or assignment, without recourse, by CL&P of all of its right, title and interest in the Transition Property to the Financing Entity, and the acquisition of such Transition Property by the Financing Entity, in accordance with the Transaction Description is hereby approved.

2. The sale by CL&P of the Transition Property to the Financing Entity in accordance with the Transaction Description will be pursuant to and governed by Conn. Gen. Stat. §§ 16-245h(c) and 16-245k(h), and, accordingly, will be treated as an absolute transfer of all of CL&P's rights, title, and interest, as a legal true sale, and not as a pledge or other financing, of the Transition Property, in each case notwithstanding the following, which are hereby determined not to affect such absolute transfer and legal true sale: (i) any contrary treatment of such transfer for accounting, tax or other purposes, (ii) certain indemnities (including mandatory redemption or repurchase obligations related thereto) provided for in Rate Reduction Bonds or in the RRB Transaction documents, (iii) CL&P's collection of the RRB Charge pursuant to the Servicing Agreement authorized by this financing order, or (iv) CL&P's providing credit enhancement to such Financing Entity as described in the Transaction Description.

3. Upon the effectiveness of the sale and assignment of the Transition Property, the Financing Entity, as owner of the Transition Property, and the holders of the Rate Reduction Bonds, or any trustee acting therefor, will be entitled to rely on and shall be entitled to the benefit of the pledge and agreement of the State set forth in Conn. Gen. Stat. § 16-245j(b).

4. Upon the effectiveness of the sale and assignment of the Transition Property: (i) the Financing Entity shall have all of the rights originally held by CL&P with respect to such Transition Property, including, without limitation, the right to exercise any and all rights and remedies, including the right to authorize the Servicer to disconnect service (including backup service) to the extent permitted under applicable law and regulations, to assess and collect any amounts payable by any customer in respect of such Transition Property, notwithstanding any objection or direction to the contrary by CL&P, as initial Servicer, or any successor Servicer, and (ii) any payment by any customer to the Financing Entity shall discharge such customer's obligations in respect of such Transition Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Servicer.

5. Upon the effectiveness of the sale and assignment of the Transition Property to the Financing Entity, CL&P or any successor Servicer shall not be entitled to recover the RRB Charge other than for the benefit of the Financing Entity or its successor, in accordance with Conn. Gen. Stat. § 16-245h(d) and CL&P's or any successor's duties as Servicer of such Transition Property as authorized by this financing order.

**7. Approvals Regarding the Establishment of a Statutory Security Interest in the Transition Property**

1. Pursuant to Conn. Gen. Stat. §16-245k(g), upon the effective date of this financing order, there shall exist a statutory first priority lien on all Transition Property then existing or thereafter arising pursuant to the terms of this financing order.

2. Such lien shall secure all obligations, then existing or subsequently arising, to the holders of Rate Reduction Bonds and to the trustee or representative for such holders and shall arise by operation of law automatically without any action on the part of CL&P, any affiliate thereof, the Financing Entity or any other person. Such lien shall be valid, perfected, and enforceable upon the effectiveness of this financing order without any further public notice. The trustee for the Rate Reduction Bonds is authorized to file financing statements with respect to the Transition Property which will constitute a protective filing pursuant to Conn. Gen. Stat. § 16-245k(g).

3. The Indenture, to the extent it is substantially consistent in all material respects with the draft thereof that accompanied the Petition, subject to such changes as may be recommended or required by the rating agencies providing ratings on the Rate Reduction Bonds, the RRB trustee and/or the RRB investors, which changes are not inconsistent with the Transaction Description, under which the Financing Entity shall pledge all of its interest in the Transition Property and the Other Financing Entity Collateral, to secure Rate Reduction Bonds issued in connection with such pledge, is reasonable and in the best interests of ratepayers, and is hereby approved.

**8. Approvals Regarding Servicing and Collection Procedures, and Accounts**

1. The Servicing Agreement, to the extent it is substantially consistent in material respects with the description of such agreement in the Transaction Description and with the draft thereof that accompanied the Petition, with such changes as may be recommended or required by the rating agencies, which changes are not inconsistent with the Transaction Description, under which CL&P will agree with the Financing Entity to continue to operate its distribution system to provide service to customers, to collect amounts in respect of the RRB Charge for the benefit and account of the Financing Entity, and to account for and remit these amounts to or for the account of such Financing Entity, including the amount of the Servicing Fee imposed thereunder, is reasonable and in the best interests of ratepayers, and is hereby approved. Pursuant to Conn. Gen. Stat. § 16-245h(d), CL&P shall enter into the Servicing Agreement, and any successor Servicer shall be required to enter into a similar Servicing Agreement.

2. The RRB Charge billing, collection and remittance procedures, as described in the Transaction Description, are reasonable and in the best interests of ratepayers and are hereby approved.

3. In the event of any future change in Connecticut law pursuant to which TPSs are authorized to bill and/or collect the RRB Charge, the procedures and policies to be

implemented by the Servicer with respect to the oversight of any such TPS, as described in the Transaction Description, are reasonable and in the best interests of ratepayers and are hereby approved.

4. In the event of a default by a Servicer in remittance of revenues arising in connection with the RRB Charge, PURA or any successor thereto will, in accordance with Conn. Gen. Stat. §§ 16-245k(e) and (g), upon application by (i) the trustee or holders of the Rate Reduction Bonds, (ii) the Financing Entity or its assignees, or (iii) other pledgees or transferees of the Transition Property, order the sequestration and payment to or for the benefit of such pledgees or transferees of the revenues arising with respect to the Transition Property.

5. In the event of a default by a Servicer under any Servicing Agreement with respect to Rate Reduction Bonds, the Financing Entity or the trustees or representatives of the holders of Rate Reduction Bonds may appoint a successor Servicer for the Transition Property, subject to satisfaction of the Rating Agency Condition (as defined in the Servicing Agreement) and the approval of PURA, who shall promptly assume billing responsibilities for RRB Charge. PURA shall act on an expedited basis within [30] days to approve such successor Servicer. Such successor Servicer shall assume all rights and obligations of the Servicer under Conn. Gen. Stat. § 16-245h(d) and this financing order as though it were the Servicer at the time such Rate Reduction Bonds were issued.

6. In accordance with Conn. Gen. Stat. § 16-245g(e), amounts collected from a customer shall be allocated on a *pro rata* basis among (i) the RRB Charge attributable to the Rate Reduction Bonds issued pursuant to this financing order, (ii) any remaining portion of the Competitive Transition Assessment not the subject of this financing order, and (iii) CL&P's other charges, and CL&P shall not, in the allocation of partial collections from any customer, favor itself or any other payee over the Financing Entity, as owner of the Transition Property.

7. Regardless of who is responsible for billing of the RRB Charge, the RRB Charge will be assessed against and collected from all CL&P customers taking retail electric service. Any customer will continue to be responsible for payment of the applicable RRB Charge billed, but not yet remitted, to the Servicer to the extent such customer has not paid the RRB Charge billed to it.

8. In the event of a failure of any customer to pay the applicable RRB Charge, the Servicer is authorized to disconnect retail electric service to such customer in accordance with Conn. Agencies Regs. § 16-3-100-1(b)(2)(j).

9. CL&P, as initial Servicer, or any successor Servicer, shall be entitled to an annual Servicing Fee. PURA approves the Servicing Fee as follows: as initial Servicer, CL&P will be paid, subject to changes in market conditions and rating agency requirements, an annual Servicing Fee, paid in installments, equal to 0.05% of the initial principal balance of the Rate Reduction Bonds, which fee will be included in the calculation of the RRB Charge. A successor Servicer will be paid an annual Servicing Fee equal to no more than 0.60% of the initial principal balance of the Rate Reduction Bonds, if such successor Servicer is not affiliated with CL&P. If the successor Servicer is an affiliate of CL&P, then the annual Servicing Fee payable to such

successor Servicer will be 0.05% of the initial principal balance (equal to the fee payable to CL&P as initial Servicer).

10. CL&P, as initial Servicer, may not resign its duties as Servicer except upon either (i) a determination that the performance by it of such duties is no longer permissible under applicable law or (ii) the prior approval of PURA and confirmation (or deemed confirmation) by the applicable rating agencies that such resignation will not result in a suspension, reduction or withdrawal of the then current credit ratings for the Rate Reduction Bonds.

11. A successor Servicer may not replace CL&P as Servicer in any of its servicing functions with respect to the RRB Charge and the Transition Property authorized by this financing order unless (i) (x) either CL&P has resigned as Servicer (if permitted to do so) or such replacement is requested by the Financing Entity or the trustees or representatives of the RRB holders in accordance with the terms of the Servicing Agreement and (y) in either case, such replacement will not cause the then current credit ratings on Rate Reduction Bonds to be suspended, withdrawn or downgraded, or (ii) the successor Servicer is the successor to CL&P's distribution system.

12. The establishment and procedures for maintenance of the Collection Account, the General Subaccount, the Excess Funds Subaccount, and the Capital Subaccount in accordance with the Transaction Description are reasonable and in the best interests of ratepayers and are hereby approved.

13. Return on investment on amounts in the Capital Subaccount will be remitted to the Financing Entity on a monthly basis free and clear of the lien of the Indenture for distribution to CL&P, as its sole member.

14. Any amounts accounted for in the Excess Funds Subaccount at the time that CL&P calculates a periodic adjustment to the RRB Charge will be incorporated in such adjustment, such that the balance in the Excess Funds Subaccount is expected to be zero at the end of the period for which the RRB Charge is being adjusted. Conn. Gen. Stat. §§ 16-245i(b)(2) and 16-245i(c). Any surplus RRB Charge in excess of the amounts necessary to pay principal, premium (if any), interest and expenses of the issuance of the Rate Reduction Bonds shall be remitted to the Financing Entity and may be used to benefit customers to the extent that such use would not result in a recharacterization of the tax, accounting or other intended characteristics of the financing. Conn. Gen. Stat. § 16-245h(b). When the Rate Reduction Bonds are fully paid, any balance in the Capital Subaccount (including return on investment) shall belong and be returned to CL&P in its capacity as equity holder of the Financing Entity (and for the avoidance of doubt shall not be credited to CL&P's customers), and any balance in the General Subaccount and the Excess Funds Subaccount shall be returned to the Financing Entity, distributed by the Financing Entity to CL&P and then credited to CL&P's customers.

**9. Approval Regarding Administration Agreement**

1. The Administration Agreement, to the extent it is substantially consistent in material respects with the description of such agreement in the Transaction Description and with

the draft thereof that accompanied the Petition, with such changes as may be recommended or required by the rating agencies, which changes are not inconsistent with the Transaction Description, under which CL&P shall perform administrative services and provide facilities for the Financing Entity to ensure that it is able to perform such day-to-day operations under the RRB Transaction documents, including the amount of the Administration Fee, is reasonable and in the best interests of ratepayers, and is hereby approved.

**10. Approval Regarding Financial Accounting Treatment**

1. The financial accounting treatment proposed by CL&P for the Rate Reduction Bonds and the RRB Transaction, as described in the Transaction Description, is reasonable and in the best interests of ratepayers, and is hereby approved.

**11. Approvals Regarding Reports**

1. After pricing of the Rate Reduction Bonds, but before issuance, CL&P shall file with PURA, for informational purposes, an Issuance Advice Letter, in a form substantially consistent in all material respects with the draft thereof that accompanied the Petition, setting forth the final structural details and final terms of the Rate Reduction Bonds, including the principal amount, the repayment terms (in accordance with the expected amortization schedule), the initial RRB Charge, the capital contribution amount, the identification of the Financing Entity, and the transaction costs of issuance. Such filing shall not be a condition to the effectiveness of this financing order or the issuance of the Rate Reduction Bonds.

2. Within [90] days following the issuance of the Rate Reduction Bonds, and within [60] days of the end of each fiscal quarter thereafter until the proceeds have been applied in full, CL&P shall file with PURA (with a copy to OTT) a report showing the use of RRB proceeds in compliance with this financing order. Such filing shall not be a condition to the effectiveness of this financing order or the issuance of Rate Reduction Bonds.

**12. Approval of CL&P Tariff Changes**

1. The changes to CL&P's Tariff attached to the Eversource Regulatory Testimony necessary to implement CL&P's billing and collection of the RRB Charge as approved herein, are found to be in the best interests of ratepayers and are hereby approved.

**C. Orders**

Based on the foregoing, it is hereby

ORDERED, that CL&P's request for issuance of a financing order is APPROVED, as modified by and subject to the terms of the Transaction Description contained herein, and consistent with the Findings and Approvals and Authorizations granted.

By order of the Public Utilities Regulatory Authority of the State of Connecticut this [●] day of [●], 202[●].

| | | |
|---|---|---|
| Thomas Wiehl<br>Chairman | David Arconti<br>Vice Chairman | Janice Beecher<br>Commissioner |
| Holly Cheeseman<br>Commissioner | Everett Smith<br>Commissioner | |

Attested by:

[Name]
[Title]