**DIRECT TESTIMONY OF
STEVEN MOFFITT
ON BEHALF OF THE CONNECTICUT LIGHT AND POWER COMPANY
D/B/A EVERSOURCE ENERGY
BEFORE THE PUBLIC UTILITIES REGULATORY AUTHORITY OF THE
STATE OF CONNECTICUT IN DOCKET NO. 26-04-04**

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STEVEN MOFFITT**

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven Moffitt, and my business address is 200 West Street, New York, New York 10282.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am a Managing Director, Co-Head of the Global Real Estate and Consumer Financing Group at Goldman Sachs & Co. ("Goldman").

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Arts in Political Economy degree from Tulane University, and I am a CFA charterholder. Prior to joining Goldman in 2005, I was employed by Fitch Ratings as a Senior Director in Structured Products, where I worked on several rate reduction bonds. Before Fitch Ratings, as an investment banking analyst at Prudential Securities, I covered a range of industry sectors including investor-owned utilities. Currently, I oversee a franchise that covers a range of asset types such as consumer, corporate, credit intermediation, novel receivables lending, nonbypassable ratepayer charges, residential and commercial real estate, solar loans and leases, triple net leases, intellectual property, small business loans, and small and medium enterprise securitizations.

Q. DO YOU POSSESS ANY PROFESSIONAL LICENSES RELATED TO THE SECURITIES INDUSTRY?

A. Yes. I am Series 7 (General Securities Representative Qualification) qualified by the Financial Industry Regulatory Authority, which allows an individual to solicit, purchase, or sell all securities products, including asset-backed securities. I am also Series 79 (Investment Banking Representative) qualified, which allows an individual to advise on and facilitate debt and equity offerings (public offerings or private placements), mergers and acquisitions, tender offers, financial restructurings, asset sales, divestitures, corporate reorganizations and business combination transactions. In addition, I am Series 24 (General Securities Principal and Banking Principal) qualified, which allows an individual to supervise Series 7 and Series 79 activities.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of The Connecticut Light and Power Company d/b/a Eversource Energy (the "Company").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to:

1. Provide background information on the use of utility securitizations in other jurisdictions as well as discuss some of the core elements of the

proposed Bonds (as defined below). "Utility securitization" is a generic term used to refer to securitizations for several different recovery purposes. Some of the other names used to refer to this structure include rate reduction bonds, stranded cost bonds, storm recovery bonds, disaster recovery bonds, system restoration bonds, and restructuring bonds.

2. Present the proposed preliminary storm cost bond issuance structure for use by the Company in Connecticut and discuss certain structuring and marketing considerations.
3. Discuss the primary rating agency criteria and structural features designed for utility securitizations to obtain the desired "AAA" ratings.
4. Discuss several of the key commercial terms of the Bonds that the Company expects will be required for a successful transaction, as well as key provisions of the proposed financing order.

Q. ARE YOU PROVIDING ANY ATTACHMENTS WITH YOUR DIRECT TESTIMONY?

A. Yes. I am sponsoring the following attachments described below and attached to my testimony:

- Attachment 1 – Preliminary Transaction Structure
- Attachment 2 – Utility Securitization Transactions, 1995-Present

Each of these documents were prepared under my direction and control, and to the best of my knowledge all factual matters contained therein are true and accurate.

Q. PLEASE SUMMARIZE YOUR TESTIMONY IN THIS PROCEEDING.

A. Pursuant to Sections 16-245e to 16-245k, inclusive of the Connecticut General Statutes (the "Securitization Statute"), the Company is submitting a Petition to the Public Utilities Regulatory Authority ("PURA") for a financing order (the "Petition"), which requests approval of a financing order authorizing the issuance of bonds to finance though securitization the recovery of certain Financed Utility Services (as defined under the Securitization Statute), including any costs that were incurred by CL&P between January 2018 and December 2023 to prepare for and restore power to customers following storms and that have been determined by PURA to have been prudently and efficiently incurred.

In this testimony I recommend the following:

- The adoption of an irrevocable financing order that creates transition property for the benefit of the Company, consisting of a non-bypassable portion of the competitive transition assessment (the "RRB Charge") included on the bills of the Company's customers, which charge is subject to adjustment by the application of a formula-based true-up

mechanism, or "true-up" process, in order to ensure that collection of such RRB Charge would be sufficient to pay the collective debt service on the Bonds together with issuance and ongoing transaction costs.

- The authorization in such financing order of the creation of a bankruptcy-remote special purpose entity ("SPE") organized as a Delaware limited liability company owned by the Company to offer approximately $620 million of bonds in one or more series or tranches (the "Bonds").
- The authorization in such financing order of the sale of the interest in transition property initially held by the Company to the SPE in a "true-sale" in exchange for the net proceeds from the sale of the Bonds. These transaction elements are designed to ensure that a bankruptcy or other credit event of the Company would not impact the SPE or the credit quality of the Bonds.
- The marketing and sale of the Bonds through a public, Securities and Exchange Commission ("SEC") registered transaction to achieve the greatest level of liquidity and the broadest investor universe for the Bonds.
- The need for the financing order to afford the Company the flexibility to establish the final terms and conditions of the Bonds in order to ensure

the transaction can be executed on a basis that allows the Bonds to receive the highest possible credit ratings.

Specifically, my testimony describes how a securitization transaction meeting the requirements outlined above is expected to, based on current market conditions, achieve the targeted "AAA" rating(s) and therefore the lowest cost on the Bonds consistent with market conditions at the time such Bonds are priced and the terms of this financing order, including the filing of the Issuance Advice Letter, in accordance with this financing order, be reasonable and in the best interests of the Company's customers.

Q. PLEASE ELABORATE FURTHER ON THE GOAL OF UTILITY SECURITIZATIONS AND HOW YOUR RECOMMENDATIONS HELP TO ACHIEVE THIS GOAL.

A. Before I discuss the securitization process in detail, I will review here (1) the principal goal of utility securitizations, (2) how these securitizations differ from utility corporate debt and other structured debt, and (3) why the issuance of the financing order, consistent with the objectives of the Securitization Statute, is critical to achieve the primary goal of utility securitizations – to deliver cost savings to customers.

Significant customer cost savings. As reflected in Attachment 2, over $100 billion of rate reduction bonds have been issued successfully by

or on behalf of utilities since the mid-1990s to recover commission-authorized costs in a manner designed to produce significant customer savings.

With the appropriate statutory framework and a carefully crafted financing order, utility securitizations benefit from a significantly lower cost of capital compared to traditional investor-owned utility rate mechanisms. Typically, traditional rate mechanisms set customer rates based upon a utility's weighted cost of capital, which includes an average unsecured corporate debt cost along with a generally higher allowed return on 50 percent or more equity capital in the calculation. Utility securitization customer charges are typically based upon a capital cost primarily comprised of the cost of AAA-rated debt. By increasing the percentage and credit quality of debt and eliminating the equity return component of these transactions, utility ratepayers can save millions of dollars in carrying costs associated with the recovery of these legitimate utility expenses.

Distinct from utility unsecured debt. Utility securitizations are quite different from traditional utility debt offerings. Unsecured utility corporate debt offerings are full recourse obligations of the utility. In contrast, utility securitizations are non-recourse to the corporate credit of the utility. Lack of recourse to the utility means that the utility securitizations can achieve credit

ratings materially above that of the utility itself, and indeed are designed to achieve the highest possible bond ratings: AAA or the equivalent.

PURA's Financing Order is critical. For an investor-owned utility to use securitization to recover storm costs in a manner that results in the best interests of customers, the proper statutory framework is required, coupled with a PURA-issued financing order that is consistent with the objectives of the authorizing statute. I believe the Securitization Statute has the proper framework authorizing these securitizations consistent with prior precedents, and outlines the necessary statutory requirements for securitization financing orders. I also believe that the Company, through the Petition and accompanying testimony, has proposed a financing order that meets the requirements for the Bonds to achieve AAA ratings or the credit equivalent.

Utility securitizations aim to achieve reasonable rate reduction bond charges for customers by issuing debt with the highest possible ratings (resulting in the lowest comparative price) and do so by structuring the transactions with the lowest level of what is called "overcollateralization." Utility securitizations, like other types of securitization debt, are also non-recourse to the sponsor of the transaction and the securitization issuer is bankruptcy-remote to the sponsor. A key factor in determining the ratings for

most other securitizations is “overcollateralization,” meaning an incremental amount of collateral that is pledged to the bondholders to provide extra security if the pledged assets do not perform as expected. The excess cash flow from the additional collateral increases what is called the “debt service coverage,” or the amount of cash available to pay principal and interest on the Bonds. For each type of securitization, rating agencies will run stress scenarios to determine how much overcollateralization and debt service coverage is required to achieve a particular rating. However, in a typical utility securitization structure, the rating agencies do not require any extra collateral to be held in the SPE formed to issue the Bonds in order to achieve the highest possible rating (AAA or equivalent), because the structure instead includes a mandatory true-up mechanism that adjusts the customer charges over time to pay required debt service and ongoing transaction costs on a timely basis. This combination of AAA (or equivalent) ratings and the lack of any excess collateral, and therefore excess debt service coverage, is unique to this type of securitization structure. Rarely is overcollateralization required in utility securitizations, meaning that customers do not contribute (through higher charges) more than is necessary to pay debt service, which enhances customer savings. As a consequence of the absence of overcollateralization, utility securitizations

receive increased scrutiny from rating agencies and investors because the structures do not have the security of additional cash or collateral.

It is the financing order that leads to the creation of the intangible property right that serves as collateral for a utility securitization. The financing order must be crafted in a manner to enable the bonds to achieve the highest possible credit ratings (AAA or equivalent). Moreover, for investors to accept these bonds with virtually no excess debt service coverage or overcollateralization, the rating agencies and investors need to be comfortable that over the life of the transaction, there is limited risk of political and regulatory interference from the legislature and/or a subsequent PURA that may delay payments on the bonds or change the protections built into the financing order. The manner in which the financing order is crafted can serve as important evidence that such risk is sufficiently minimized in these transactions. The structure recommended in the Company's Petition, corresponding testimony and exhibits is designed to result in a financing order that satisfies these important requirements.

II. SECURITIZATION BACKGROUND

Q. PLEASE PROVIDE A BASIC DESCRIPTION OF SECURITIZATION.

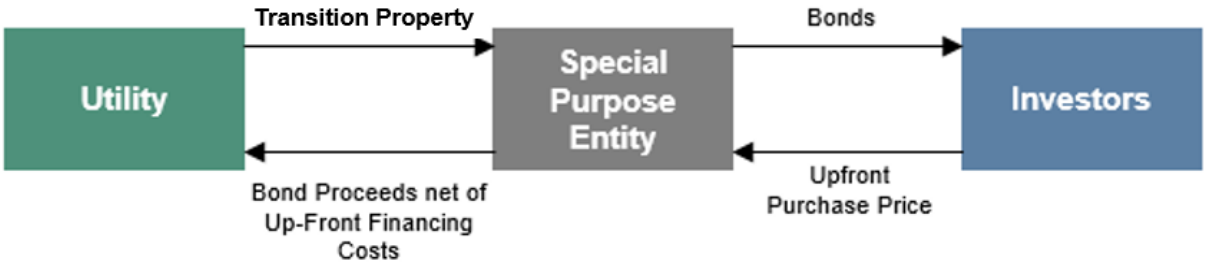
A. In general, securitization is the process in which an owner of a cash flow-generating asset sells the asset in exchange for an upfront payment, done

in a manner that legally isolates (or decouples) the cash flow-generating asset from the credit profile of the owner/seller. The sale process is intended to protect investors from any changes in credit circumstances, or even the bankruptcy, of the entity that sold the asset, and makes the bonds "non-recourse" to the seller (i.e., the seller is not responsible for making payments on the bonds). Therefore, the "credit" of a securitization is the ability of the legally isolated assets to produce a set of payments (or cash flows) for investors, who purchased an interest in the assets in the form of a securitization bond. Securitization bonds are fixed income debt securities where the investors rely solely on the legally isolated assets and associated cash flows to pay interest and principal on the issued debt securities.

In the context of utility securitizations, the underlying cash flow-generating asset is an intangible property right (described in the Securitization Statute and the Financing Order as transition property) authorized by state legislation and created pursuant to a Financing Order. This property right includes the right to impose upon all customers of the utility, the charges required to pay the interest, principal and other ongoing transaction costs associated with the debt securities issued in the securitization on a timely basis, as scheduled. This property right is also referred to as the collateral for the transaction. The utility sells the property

right to the SPE which, as its name implies, functionally performs no activities other than purchase the collateral and issue bonds to investors to fund that purchase. The SPE is typically prohibited from issuing any additional debt or having any other creditor who could upset this arrangement with the securitization bondholders. The conveyance of the property right from the utility to the SPE is also structured as a "true sale," as it legally isolates the collateral from the other assets of the seller of that collateral. A true sale of the collateral supports the "bankruptcy-remoteness" of the SPE and the securitization bonds, which allows for the securitization bonds to achieve a higher credit rating than other general obligation debt of the utility.

To have the funds needed to purchase the collateral, the SPE directly or indirectly issues bonds to investors, collateralized by the property rights it purchases from the seller. In exchange for the issued bonds, investors pay an upfront purchase price, which net proceeds are passed through the SPE back to the utility. Figure A, below, is a simplified indicative schematic of a securitization transaction closing mechanics for the typical securitization described above:



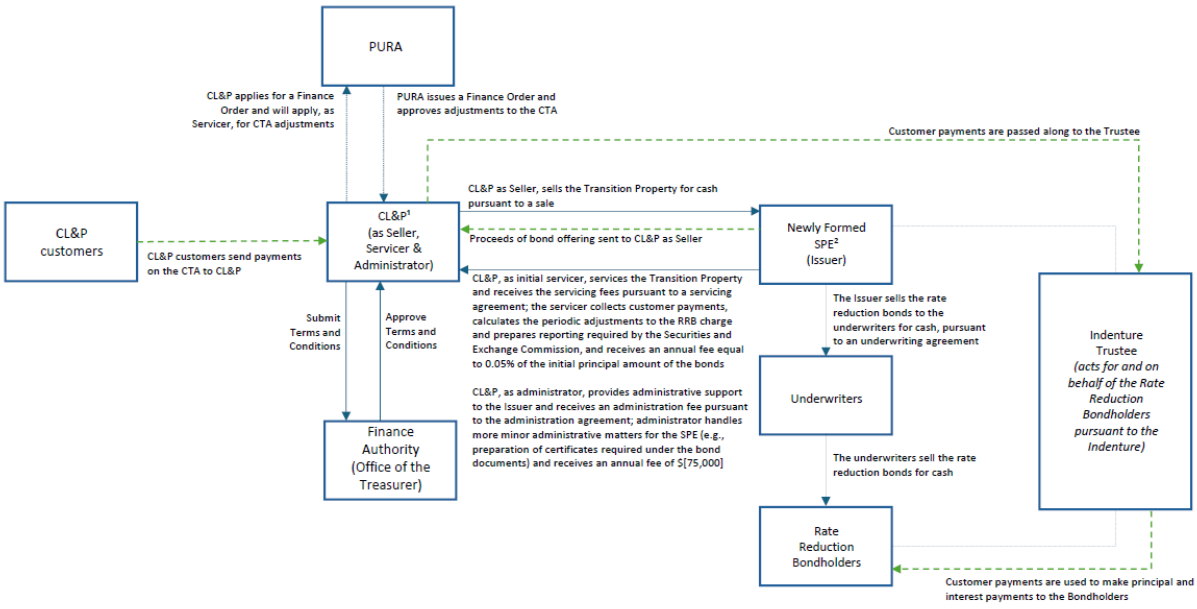
In addition to the essential structure described above, the securitization process also includes another key component: ongoing collections of the cash generated by the collateral. Here, the utility and a trustee ("Trustee," typically a commercial bank experienced with securitization trust services) play important roles. The utility will continue to perform its routine billing and collecting functions. In the context of securitization, this function is referred to as servicing, and the utility takes on the role as the servicer. In addition to its routine billing and collecting functions, as a servicer, the utility will also perform certain reporting duties with respect to the amounts of money collected and non-performance issues. The utility will perform these functions for the SPE pursuant to arm's length contractual arrangements known as the servicing agreements. It is important that this servicing arrangement is on arm's length terms, as that supports the fact that the SPE is fully bankruptcy-remote from the Company and there should be no recourse implied from this relationship.

In the context of a securitization, the Trustee also plays an important role in the safekeeping of the ongoing collections and the distributions of principal and interest to investors. After receiving collections from customers, the servicer remits the monies collected to a collection account held at the Trustee, which holds those monies in trust until it periodically distributes them to investors according to a pre-determined set of payment priorities (the "waterfall") and schedule (typically semi-annually). The Trustee serves as a representative of the bondholders and ensures that their rights are protected in accordance with the terms of the transaction. They may also enforce remedies on behalf of bondholders in the event of a default.

Q. IS THE PROPOSED TRANSACTION STRUCTURE SIMILAR TO OTHER UTILITY SECURITIZATIONS?

A. Yes. The proposed CL&P storm cost securitization, as shown in the diagram below, employs the same well-established structural framework used in dozens of utility securitizations since the mid-1990s, including the creation of a bankruptcy-remote special purpose entity, the true sale of an irrevocable transition property right, the pledge of that property as collateral under an indenture, and a statutorily mandated non-bypassable charge subject to periodic true-up adjustments, all designed to achieve the highest possible

credit ratings and therefore the lowest cost of financing for ratepayers consistent with market conditions at the time the bonds are priced and the terms of the financing order.



Q. WHAT IS THE VOLUME OF UTILITY SECURITIZATIONS THAT HAVE BEEN TRANSACTED TO DATE, AND WHAT IS THE TYPICAL SIZE OF A TRANSACTION?

A. Utility securitizations are structured based upon well-established rating criteria and have been utilized since 1995. According to public records, including SEC registration filings, since 1995 to date, there has been in

excess of $103 billion in issuances. I attach a list of utility securitization transactions as Attachment 2.

Utility securitizations by definition are episodic in nature, raising funds in a very specific amount and for a specific purpose, including to recover stranded costs, costs related to the earlier retirement of generation assets and costs associated with large storms or wildfires. The size of the above historical transactions is therefore not necessarily a reflection of market capacity at that time.

Q. WHO ARE THE TYPICAL INVESTORS THAT PURCHASE UTILITY SECURITIZATION BONDS?

A. A broad range of investors have participated in utility securitization bond issuances to date, including domestic and international banks, institutional and retail trust funds, money managers, investment advisors, pension funds, insurance companies, securities lenders, state trust funds, and corporate cash managers. Traditional utility unsecured note, first mortgage bond and municipal bond investors have also participated broadly, as some perceive utility securitization bonds as a highly rated substitute for the product they traditionally purchase.

Utility securitization bonds are a well-established asset class and are broadly understood by a diverse set of investors. Utility securitization bonds

backed by transition property and financing orders have maintained their high ratings even when the credit of the utility servicer has been downgraded or the utility servicer has entered bankruptcy, thus justifying investors' confidence in the bonds and their credit enhanced structure.

Q. HAVE OTHER COLLATERAL TYPES BEEN FINANCED USING SECURITIZATION IN A SIMILAR MANNER?

A. Yes, the market for securitized products or asset-backed securities ("ABS") is large and liquid. The first public asset-backed securities were issued in 1985 by Sperry Lease Finance, which securitized computer leases. A variety of asset types have been securitized in the public markets since then, including credit card receivables, trade receivables, automobile loans and leases, student loans, home equity loans and lines of credit, equipment leases, manufactured housing contracts, unsecured consumer loans and a number of other less traditional assets. The following table shows a breakdown of 2025 U.S. public securitization issuances by asset type.

TABLE 1
2025 UNITED STATES SECURITIZATION ISSUANCE BY ASSET TYPE

Line No.	Asset Type	Volume ($ Billions)	Percentage (%)
1	Auto	160.5	43.9
2	Other Esoteric	138.9	38.0
3	Equipment	24.3	6.7
4	Credit Cards	22.3	6.1
5	Student Loan	13.8	3.8
6	Utility	5.6	1.5
7	Total	365.4	100.0

Source: Creditflow as of 08/03/2026 Note that does not sum to total due to rounding. Numbers as shown on site.

The securitization market has settled into a mature market operation since the financial crisis. It has continued to grow, hitting a post-crisis volume high in 2025, with issuances totaling $365.4 billion, which was up 10 percent from $330.7 billion in 2024 (Source: Finsight as of 08/03/2026).

The tone of the broadly syndicated ABS market in 2025 was extremely strong and well-bid. The market digested historically large amounts of issuances, while also achieving tight spreads. The year saw robust investor engagement in new issuance deals, which resulted in healthy oversubscription levels in securitizations across a variety of asset classes. This in turn granted issuers a greater ability to tighten in pricing throughout marketing processes. The new issuance ABS market has experienced some normal cyclicality through the first half of the year. The calendar year started strong with Issuers pushing to announce new deals and investors actively

deploying capital across ABS sectors. After a period of macro volatility early in Q2 in both the domestic and global credit markets, issuance levels and credit spreads have reverted towards more positive indicators. As is always the case, we expect that market execution going forward to be a function of both the broader economic environment and supply and demand technicals across the structured products market. There have been several recent utility securitizations. The most recent transaction, which was for Edison International in California, priced on July 21, 2026. The transaction was ~$1,954 million and was structured as a three tranche deal with weighted average lives (WALs) of 10.09, 22.38, and 30.07 years, respectively. They priced at spreads of 75 basis points, 88 basis points, and 95 basis points to treasuries. American Electric Power in Virginia priced on May 19, 2026. The transaction was $1,376 million priced over three tranches (~5.0 years, ~11.5 years, and ~17.1 years) and priced at a spread of 65 basis points, 72 basis points, and 65 basis points to treasuries, respectively. CenterPoint Energy in Texas priced on February 18, 2026. The transaction was $1,193 million priced over three tranches (~2.5 years, ~7.1 years, and ~11.8 years) and priced at a spread of 40 basis points, 83 basis points, and 78 basis points to treasuries, respectively. The investors who purchase utility securitization bonds generally come from the ABS market, as well as crossover buyers

from the corporate debt market. In both cases, they are accounts focused on investing in very highly rated bonds of typically longer (i.e., more than three years) durations.

Q. HOW IS THE PRINCIPAL FOR THE BONDS REPAID?

A. The Bonds will be different from utility unsecured bonds because these Bonds are non-recourse to the Company, and instead paid exclusively from the RRB Charge. Utility unsecured bonds are fully recourse to the respective utility, with funds for repayment coming from general operations. As the Bonds are structured to be isolated from each sponsor utility's credit profile. Investors who purchase the Bonds will only have recourse to the SPE and its collateral. In addition, the Bonds will be structured to amortize with scheduled principal payments through specific points in time prior to the rated legal maturity date of the Bonds. These points in time are referred to as the expected or scheduled payment dates for each of the tranches of Bonds that may be issued in the transaction, as further described below. Amortizing, or sinking-fund, structures are distinct from traditional utility unsecured or secured bonds, which generally have only a single "bullet" principal payment at the bond maturity date. Another difference is that the Bonds will be structured with a time gap between each tranche's scheduled final payment and the rated legal maturity of that tranche. This time gap,

sometimes called a "maturity cushion," provides extra time to pay the outstanding principal amount of the tranche in full in the event that unforeseen circumstances such as significant declines from either the forecasted energy demand, forecasted consumption, and/or the forecasted number of customers, cause a material decrease in RRB Charge collections.

III. DESCRIPTION OF PROPOSED TRANSACTION

A. Transaction Structures

Q. PLEASE DESCRIBE THE TRANSACTION STRUCTURE OF THE COMPANY'S PROPOSED BONDS.

A. This structure is substantially similar to that employed in typical utility securitization bond offerings. The proposed transaction will involve the creation by the Company of a wholly-owned SPE, which would be formed as a Delaware limited liability company with the Company as the sole member. The SPE will serve as the issuer of the Bonds (the "Issuer"). The Company, pursuant to the authorization granted to it by PURA in a financing order, will create and sell its interest in the transition property to the SPE. The SPE will issue Bonds to investors and will finance the purchase of the interest in the transition property with the proceeds from the sale of the Bonds, thereby acquiring all right, title, and interest of the Company to collect the RRB Charge to pay and secure the debt service payments of the Bonds

and associated financing costs. The SPE will grant to the Trustee, for the benefit of the bondholders, a lien on its interest in the transition property and other trust property.

Q PLEASE DESCRIBE THE FORMATION OF THE SPE THAT WILL ISSUE THE BONDS.

A. The Company's securitization transaction is generally expected to follow a process similar to the process for utility securitizations described above. The Company will form an SPE as a Delaware limited liability Company which will be wholly owned by the Company[1]. The SPE's LLC Agreement will contain provisions designed to ensure that it will be a bankruptcy-remote limited purpose entity. When I refer to "bankruptcy-remote," I mean that the SPE is structured so that in the unlikely event of a Company bankruptcy, the SPE would not be consolidated with the Company and would not be included in the Company's bankruptcy estate. Therefore, the payment of securitization debt service would not be "stayed" or stopped during any bankruptcy process. Importantly, the SPE is structured to operate independently, requiring that fees paid to third parties providing services to the SPE, including the Company in its role as servicer and administrator of

[1] The Company requests the authority to establish one or more SPEs to issue one or more series of rate reduction bonds to recover the full amount of its financed utility services. Any references to the SPE in this testimony shall refer to any SPE created by the Company pursuant to the requested financing order.

the SPE, are set on an arms-length basis. These provisions supporting the bankruptcy-remote nature of the SPE are critical to achieving the desired "AAA" equivalent ratings for the Bonds.

Q. WHAT MAKES UP THE "TRANSITION PROPERTY" THAT THE COMPANY SELLS TO THE SPE?

A. The transition property is created pursuant to the financing order and, when sold to the SPE, consists of the right, title and interest of the utility in and to the rates and charges established pursuant to the financing order, and remit the RRB Charge that shall be used to pay and secure the payment of the Bonds and ongoing transaction costs, and including the right to obtain adjustments to the RRB Charge, and any revenues, collections, claims, payments, money, or proceeds of or arising from the rights and interests created under the financing order issued by PURA. The RRB Charge will be a non-bypassable charge, meaning that it will be imposed on all customers of the Company, and may not be avoided by any customer of the Company or their successors and must be paid by any such customer that receives service from such utility (irrespective of the generation supplier of such customer) or its successors for as long as the Bonds are outstanding. Included in this property right is the requirement, over the full life of the transaction, to adjust the amount of the RRB Charge owed by the

Company's customers, to ensure that the amounts collected are sufficient to pay all amounts owed with respect to the Bonds, on a timely basis as scheduled. This process is referred to as the "true-up adjustment" process. The process for implementing the true-up mechanism is described in the testimony of Company witness Matthew P. Fallon.

Q. PLEASE FURTHER DESCRIBE THE SALE OF THE TRANSITION PROPERTY BY THE COMPANY TO THE SPE.

A. Upon the issuance of the Bonds, the Company will enter into a purchase and sale agreement with the SPE. As consideration for the payment by the SPE of the purchase price for the interest in the transition property owned by the Company, the Company will sell, assign or otherwise transfer its right, title and interest in, to and under its interest in the transition property to the SPE. The purchase and sale agreement will provide that such sale, transfer, assignment and conveyance is expressly stated to be an absolute transfer and true sale. Pursuant to Conn. Gen. Stat. § 16-245k(h), if the documents governing the transaction expressly state that the transaction is a sale or other absolute transfer, any sale, assignment or transfer of transition property under a financing order shall be an absolute transfer and true sale of, and not a pledge of or secured transaction relating to, the seller's right, title and interest in, to and under the transition property. As I mentioned

previously, this "true sale" treatment is an essential component of legally isolating the transition property collateral from the bankruptcy risk of the Company and achieving AAA ratings for the Bonds.

Q. PLEASE PROVIDE DETAILS REGARDING THE PROPOSED CAPITAL STRUCTURE OF THE BONDS.

A. The preliminary structure for the Company's approximately $620 million rate reduction bond transaction is presented in Attachment 1. The SPE will issue approximately $620 million of Bonds. On a preliminary indicative basis, two tranches of Bonds, which will amortize pursuant to a sinking fund schedule, will be crafted to provide substantially level debt service over the life of the Bonds. The preliminary structure for this issuance is shown in Table 2.

TABLE 2
INDICATIVE STRUCTURE

Indicative Structure

Line No.	Tranche	Balance	Coupon	Price	Yield	Average Life
1	A-1	$350,000,000	5.230%	100.00	5.230%	4.33
2	A-2	$270,364,568	5.620%	100.00	5.620%	10.09
3	Total / WA	$620,364,568	5.481%	100.00	5.482%	6.84

Attachment 1 also shows indicative credit spreads to the benchmark and the associated interest coupon, scheduled final payment dates and legal

maturities. I recommend that the initial debt service payment period be longer than six months after the closing of the transaction, with debt service payments thereafter occurring on a semi-annual basis. While the RRB Charge is irrevocably authorized upon issuance of the Bonds, it will take some time for the full expected cash flow from the RRB Charge to be realized to account for the lag between when the RRB Charge is first billed to customers and the customers pay their utility bill. Therefore, the long initial payment period allows more time for the full amount of expected RRB Charge revenues to become available and provides for a true-up adjustment prior to the first debt service payment, to mitigate the transaction revenue impact of any unexpected changes in the Company customer base or revenues.

Please note that these terms are preliminary and estimated based on current market conditions as of the date of this testimony. The final terms and conditions of the Bonds will not be known until they have been priced in the marketplace. Investor demand at the time of pricing will determine market-clearing interest rates and the final structure offered to investors. Therefore, this preliminary structure and pricing information is illustrative and subject to change, and the actual structure and pricing may differ, and may differ materially from this preliminary structure.

The structure shown is designed to provide the lowest cost on the Bonds consistent with market conditions at the time such Bonds are priced and the terms of this Financing Order. The level of the RRB Charge paid by the Company's customers is directly affected by interest rates and the principal amortization structure of the Bonds. Given the size of this transaction, we anticipate that there will be multiple tranches (meaning different maturity dates for portions of the debt) of debt which will allow the Company to take advantage of discrete pockets of investor demand across the entire term of the transactions. The final structure, including the number of tranches, will be determined by market conditions closer to the time of issuance and any requirements from the financing order.

Attachment 1 also shows the weighted average life (or "WAL") of the indicative bonds. Weighted average life is a measure of the average amount of time it takes to repay in full the principal balance of a bond tranche. When pricing the Bonds, a credit spread (negotiated with investors) is added to the underlying benchmark rate, and together they make up the fixed coupon for the life of the transaction. Here, our benchmark will be the U.S. Treasury curve. Note that the duration of the U.S. Treasury benchmark that we will use as a benchmark on the day of pricing is based on duration closest to the WAL of the Bonds, not closest to the scheduled final payment date or legal

final maturity date. Regularly scheduled principal amortization throughout the life of the transaction, as opposed to a single bullet maturity, results in a shorter WAL for the financing. Investors have nearly universally seen and accepted semi-annual amortization in these transactions. We have advised the Company that the proposed transaction should have a relatively level annual debt service and associated revenue requirement, such that as the Company's customer population and customer consumption may increase, all other things being equal, the RRB Charge may be adjusted downward over the life of the transaction. Substantially level debt service also avoids significant volatility in the customer charge year to year, as opposed to a bespoke amortization schedule or a bullet payment at maturity. Rating agency stress tests also tend to penalize transactions that use a different structuring approach, particularly one that significantly back-loads principal debt service. Attachment 1 also outlines some of the key structuring assumptions and displays the preliminary annual debt service schedules and annual revenue requirements.

Q. WHAT IS THE DIFFERENCE BETWEEN THE SCHEDULED FINAL PAYMENT DATE AND LEGAL MATURITY DATE?

A. I briefly addressed this topic above in the context of the basic discussion of securitization and will address it more fully here. The scheduled final

payment date of the tranche or tranches of Bonds represents the date at which final payment of principal is expected to be made, but no legal obligation exists to retire the tranche in full by that date. The legal maturity date is the date by which the bond principal must be paid or an event of default will occur and is used by the rating agencies to determine their rating. The proposed preliminary structure for this transaction utilizes a legal maturity date that is usually 24 months longer than the scheduled final payment date for each bond tranche, known as a "maturity cushion." The actual maturity cushion will be determined by the final "AAA" stress scenarios required by the rating agencies during the rating process for the underlying bonds and may be shorter or longer than 24 months. Therefore, it is important that the financing order provides flexibility for the transaction to have the specific maturity cushions required to obtain AAA equivalent ratings (or the highest possible ratings), which cannot be determined in advance of the rating agency review process.

The difference between the scheduled final payment date and legal maturity date provides additional credit protection by allowing shortfalls in principal payments to be recovered over this additional period due to any unforeseen circumstances. This gap between the two dates is a benefit to the Company and contributes to the strong credit quality of the transaction,

helping lower the cost of funds and therefore benefitting ratepaying customers.

Moreover, many investors in utility securitizations are familiar with this concept, which is a feature in all utility securitization transactions and most ABS transactions. The ratings on the Bonds are derived in part based on the assumption that the outstanding principal amount of each tranche will be paid in full by its legal maturity date, but investors would price the debt assuming the underlying bonds make the final scheduled principal payment in full at the scheduled final payment date, which is earlier than the legal maturity date.

Q. SHOULD THE TRANSACTION BE STRUCTURED AS A PUBLIC, SEC-REGISTERED TRANSACTION?

A. I recommend in this case pursuing an offering registered with the SEC, generally referred to as a “public” offering, offered through a negotiated process with a select group of underwriters. The Securities Act of 1933, as amended, requires that every security offered or sold in the United States either be registered with the SEC or qualify for an exemption from registration (with such exempt securities generally referred to as a “private” offering). If a transaction is registered with the SEC, there are no restrictions on the type of investor who may purchase the securities. While private

offerings are restricted to certain types of sophisticated institutional investors (e.g., 144A offerings), public offerings can be sold to anyone because there are no restrictions under federal securities laws on the sophistication of the investors able to purchase the Bonds. For public offerings, issuers are required to prepare a prospectus that conforms to detailed disclosure requirements and is also reviewed by the SEC prior to marketing. Offering documents for private transactions have similar disclosure, but do not have to be reviewed by the SEC prior to marketing. The public offering process can therefore be more time consuming and may also have higher transaction costs. Legal fees may be higher due to the SEC review process, and unlike private offerings, the SEC requires issuers to pay a filing fee based on the dollar amount of bonds being registered. However, in general, public offerings are considered to be more liquid given the broader potential investor universe and therefore may be more attractive to investors, resulting in lower bond pricing that should outweigh their additional costs. I describe this negotiated sale process later in my testimony. Therefore, similar to the vast majority of precedent utility securitization transactions, we believe a public offering using a negotiated sale to underwriters will likely lead to lower overall costs for customers.

Q. WILL THE BONDS PAY FIXED OR FLOATING INTEREST RATES?

A. Virtually all rate reduction bonds have been fixed-rate bonds. Fixed rates facilitate evaluation of the likely costs and benefits in advance and the maintenance of roughly equal securitized charges over time (subject to variances in items such as actual load or collections history from forecast). Maintaining predictable revenue requirements facilitates the ongoing management of the customer charge adjustment (or "true-up") process. Although it is possible to issue floating-rate bonds if the floating interest rate is then converted to a fixed rate through use of an interest rate swap or hedge between an SPE and a highly-rated swap counterparty, in today's market, floating rate bonds, swaps, and hedges are expected to create additional documentation costs and introduce additional risks and costs for customers. For example, a swap incorporated as a part of the securitization structure would require an additional counterparty, so there is a risk of a ratings downgrade or a default by the counterparty providing the swap. These additional costs do not support the goal of obtaining the lowest cost on the Bonds consistent with market conditions at the time such Bonds are priced and the terms of this financing order. Further, it is difficult to find a comparatively-rated swap counterparty (AAA) satisfying rating agency criteria necessary to secure the desired AAA ratings on the Bonds.

Q. DO YOU RECOMMEND MAKING THE BONDS CALLABLE?

A. The vast majority of utility securitization bonds are not callable, or subject to redemption before reaching the date of their stated maturity and absent unforeseen events, it is likely that the Bonds will be noncallable.

Q. ARE THERE OTHER IMPORTANT CONSIDERATIONS REGARDING THE PRELIMINARY STRUCTURE OF THE BONDS?

A. Yes. I reiterate that it will be beneficial for the Bonds to be structured to have substantially level annual debt service. This is important because it should facilitate stability in the aggregate RRB Charges over the life of the Bonds.

Q. PLEASE DESCRIBE THE MECHANICS OF HOW THE SECURITIES ARE PRICED.

A. The starting point for how a utility securitization is priced is the corresponding benchmark rate. In the preliminary structure included as Attachment 1, U.S. Treasury benchmarks are referenced in the calculation of the yield. These benchmark rates are matched with the weighted average life of each tranche. As discussed above, the weighted average life is a measure of the average amount of time it is expected to take to repay the principal balance of a tranche in full. The U.S. Treasury benchmark reflects the “risk-free” yield investors generally associate with securities issued by the U.S. Treasury. The next component is the credit spread, which is

generally the amount of yield above the given benchmark that is required by the marketplace to invest in the given bond tranche. This credit spread, the yield above the benchmark rate, is an indication of the market's view at the time of pricing of the incremental credit risk associated with each bond tranche. To state the obvious, issuers would like this credit spread to be as small, or tight, as possible to the underlying benchmark (thereby lowering the total coupon), and investors would like it to be higher, or wider, versus the underlying benchmark, all else being equal, to increase their return. The pricing credit spread is ultimately determined by market-clearing rates at the conclusion of the marketing process. We anticipate marketing these transactions at the same time and currently anticipate with the same structures illustrating the identical nature of the issuances and their underlying collateral and credit quality. We will continue to assess how to best position the issuances as we approach marketing the transaction.

B. RRB Charge Collection

Q. PLEASE DESCRIBE THE ONGOING BILLING, COLLECTING, AND REMITTING OF THE RRB CHARGE OVER THE LIFE OF THE TRANSACTION.

A. The Company, as servicer, will be responsible for calculating, billing and collecting the RRB Charge from its customers. The procedures for remitting

the RRB Charge to the Trustee will be established through the transaction documents, including the servicing agreement between the Company and the SPE. The current market standard is for RRB Charge collections to be remitted by the Company, as servicer, to the Trustee each business day, expected daily (based on estimated amounts collected), with cash held no more than two business days prior to remittance. As described further in Company witness Fallon's testimony, the Company, as servicer, shall periodically reconcile the difference between such estimated collections and the actual amount of RRB Charges received from customers to ensure that all RRB Charges collected from customers are ultimately remitted to the Trustee. The securities intermediary designated by the Trustee will then hold the amounts remitted to it by the Company until the next payment date on the Bonds. These payment dates will generally occur twice a year, as is customary in utility securitizations.

Q. HOW WILL THE CHARGE BE CALCULATED?

A. Witness Fallon goes into more detail, but the RRB Charge will be calculated to ensure the RRB Charge collections are sufficient to pay principal of, and interest on the Bonds, on a timely basis, plus other ongoing transaction costs.

Q. ARE THERE "OTHER AMOUNTS" BEYOND DEBT SERVICE REQUIRED TO BE COLLECTED IN CONNECTION WITH THE BONDS?

A. There will be other amounts in addition to the bond principal and interest that will be payable on an ongoing basis over the life of the transaction. These "ongoing transaction costs", which are required financing costs, include, but are not limited to, any amounts required to be paid pursuant to ancillary agreements, servicing fees and expenses, Trustee fees and expenses, legal fees and expenses, administrative fees, rating-agency surveillance fees, replenishment of the capital subaccount or another reserve account established under an indenture, certain other costs incurred to obtain modifications of or amendments to any indenture, financing agreement, security agreement or similar agreement or instrument relating to any existing secured or unsecured obligation of the Company in connection with the issuance of the Bonds and other related costs authorized by PURA in the financing order generally imposed on the Company related to the issuance of the Bonds or the other transactions contemplated by the Financing Order. Generally, these amounts are SPE expenses that are required to issue and keep the transaction working as designed, without reliance on the Company or any other source of funds. It is essential to the SPE's status as bankruptcy-remote entity for the transaction structure to

provide for the full payment of ongoing transaction costs. These anticipated fees and expenses are estimated in the testimony of Company witness Fallon and included as Exhibit CL&P-TREASURY-1, Schedule 2. Upfront transaction costs are recovered in the aggregate principal amount of the Bonds and are discussed in Company witness Fallon's testimony and outlined in Exhibit CL&P-TREASURY-1, Schedule 1.

Q. IN YOUR EXPERIENCE, ARE THE COSTS ESTIMATED BY THE COMPANY WITHIN THE RANGE OF COSTS YOU HAVE PREVIOUSLY SEEN FOR SIMILAR EXPENSES?

A. Yes. My team at Goldman and I have reviewed the preliminary expense estimates provided by Company witness Fallon, as well as the supporting examples provided from previous transactions. While the Company's proposed securitization is not expected to occur until 2027, and costs may change, these estimated costs are consistent with the ranges found in other utility securitization transactions.

Q. PLEASE DESCRIBE THE CONTENTS AND PURPOSE OF THE SERVICING AGREEMENT.

A. The Servicing Agreement is an agreement between the Company (in its capacity as the servicer of the Bonds), and the SPE. The Servicing Agreement sets forth the responsibilities and obligations of the servicer,

including, among other things, imposing, charging and collecting the RRB Charge, responding to customer inquiries, terminating electric service, filing for true-up adjustments, remitting collections to the Collection Account and directing the release of funds in the Collection Account to the Trustee for distribution to bondholders. The Servicing Agreement will prohibit the Company from resigning as servicer unless (i) it is unlawful for such initial servicer to continue in such a capacity, or (ii) PURA consents and the rating agencies confirm the resignation would not impact the ratings on the Bonds. A servicer resignation would not be effective until a replacement servicer has assumed its obligations to continue servicing the Bonds without interruption. If a servicer defaults on its obligation as servicer, then the Trustee may, upon the instruction of a majority of the holders of the Bonds, appoint a successor servicer acceptable to the Trustee. Any merger or consolidation of a servicer with another entity would require the merged entity to assume such servicer's responsibility under the servicing agreement. The terms of the servicing agreement are critical to the rating agency analysis of the Bonds and the ability to achieve credit ratings in the highest categories. As compensation for its role as initial servicer, the servicer is entitled to earn a market rate servicing fee payable out of RRB Charge collections. Table 3 provides a snapshot of annual servicing fees for

the initial servicer on various recent utility securitizations as a percentage of the original principal balance of notes outstanding.

TABLE 3
RECENT UTILITY SECURITIZATION ANNUAL SERVICING FEE PERCENTAGES

Line No.	Deal	Annual Servicing Fee (% of Initial Principal Balance)
1	SCE 2026-A	0.05%
2	AEP 2026-A	0.05%
3	CNP 2026-A	0.075%
4	SCE 2025-A	0.05%
5	DUK 2025-1	0.05%

It is important to the rating agencies and the bankruptcy-remote analysis of the transaction that the Company receives an arm's-length fee as servicer of the transition property, and for its services as administrator of the SPE. Utility securitization financing orders to date have also approved an increase in the servicing fee in the unlikely event the Company or an affiliate of the Company is no longer able to perform its servicing role, and a replacement servicer must be brought on board. Typically ,this has been an increase up to 0.60% of the initial aggregate principal amount. Rating agencies expect that the Company will be the servicer but assumes that a replacement servicer may require additional compensation to perform these services,

without access to the Company's existing infrastructure and customer relationships.

Q. HOW WOULD THE RRB CHARGE BE BILLED AND COLLECTED IN THE CASE WHERE THE COMPANY IS NO LONGER THE UTILITY FOR ITS CUSTOMERS?

A. The financing order, upon the issuance of the Bonds, creates a binding obligation for the Company, its successors or assignees to collect the RRB Charge and allows that obligation to be performed by a replacement servicer appointed by the Trustee, if the servicer does not so perform. Thus, the binding obligation to collect and account for RRB Charge will survive any adverse event to any servicer. This obligation is binding upon any other entity that provides service in the service territory or any other entity responsible for calculating, billing and collecting and remitting the RRB Charge on the Company's behalf.

Q. WHAT IS MEANT BY A THIRD-PARTY ENERGY SERVICER?

A. While it is my understanding that Connecticut law does not currently authorize third-party suppliers to bill and collect any Competitive Transition Assessment, including the RRB Charge, it is important that the financing order ensure that such third-parties – in the event there is any future change in utility regulation – bill and collect and remit the RRB Charge in a manner

consistent with then current guidance from the rating agencies so that it will not cause any of the then-current credit ratings of the Bonds to be suspended, withdrawn, or downgraded.

C. Accounts

Q. IN ADDITION TO THE TRANSACTION PROPERTY, ARE THERE ANY OTHER COMPONENTS OF THE COLLATERAL FOR THIS TRANSACTION?

A. Yes. The collateral for the transaction includes other components in addition to the transition property. However, the property right is the principal asset pledged as collateral. Pursuant to the Indenture, the other collateral includes a collection account, which will be established by the SPE as a trust account to be held by the Trustee. Each subaccount is designed to facilitate the payment of principal, interest, and other costs associated with the Bonds. The collection account will have the following subaccounts:

- a general subaccount;
- a capital subaccount; and
- an excess funds subaccount.

The SPE's interest in the collection account will be pledged as collateral for the benefit of the bondholders. The collateral also consists of the SPE's

rights under certain agreements it enters into as parts of the transaction including the purchase and sale agreement and the servicing agreement.

Q. PLEASE DESCRIBE THE GENERAL SUBACCOUNT.

A. The general subaccount is the subaccount in which the Trustee deposits the rate reduction bond charges it receives from the Collection Account. Monies in the general subaccount will be applied by the Trustee on a periodic basis to make payments according to the waterfall in the indenture, which generally includes the payment of SPE expenses required to maintain the operations of the transaction, then interest on the Bonds, and then principal on the Bonds.

Q. PLEASE DESCRIBE THE EXCESS FUNDS SUBACCOUNT.

A. The excess funds subaccount is where any monies on deposit in the general subaccount that are not required to meet the scheduled interest and principal obligations of the Bonds will be deposited. The initial balance is zero, and the target ongoing balance is also zero. To the extent there are funds on deposit in this subaccount, those amounts will be considered in the next available true-up mechanism adjustment and the subaccount value will again be generally targeted to be zero. Stated differently, to the extent RRB Charge collections are higher than expected in any given true-up calculation period, those amounts will not pay down the principal balance of the Bonds

beyond the scheduled principal payment for that period. Rather, the amounts on deposit in the general subaccount above and beyond the scheduled obligations will be moved to the excess funds subaccount. Those amounts will then reduce the amount of RRB Charge collections needed in the subsequent true-up calculation period. This is how the debt service coverage is targeted to remain at 100% of debt service and ongoing transaction costs, as discussed above.

Q. PLEASE DESCRIBE THE CAPITAL SUBACCOUNT.

A. The capital subaccount represents the equity capital of the SPE and is funded by an amount contributed by the Company at issuance that is at least equal to 0.50 percent of the initial principal amount of the Company's rate reduction bond transaction. To the extent there is a shortfall in collections, the SPE may draw upon the amount in its capital subaccount to pay debt service or other ongoing transaction costs. If the capital subaccount is drawn upon, it is replenished from the RRB Charge through the true-up mechanism and any available excess RRB Charge collections.

Q. PLEASE DESCRIBE THE TREATMENT OF ANY FUNDS REMAINING IN THE VARIOUS SUBACCOUNTS AT THE FINAL MATURITY OF THE TRANSACTION.

A. Upon the full repayment of the Bonds and the discharge of the ongoing transaction costs, all amounts in the Collection Account and in each subaccount, in each case including investment earnings, shall be released by the Trustee to the SPE for distribution to the Company for distribution back to its customers. The Company will notify PURA within 30 days after the date that these funds are eligible to be released of the amount of such funds available for crediting to the benefit of customers. The amounts in the capital subaccount shall be returned to the Company.

D. Key True-up Mechanism Considerations

Q. PLEASE DISCUSS KEY ASPECTS OF THE TRUE-UP MECHANISM.

A. One of the fundamental utility securitization features that enables "AAA" ratings is the statutorily mandated periodic true-up mechanism. The true-up mechanism involves the adjustment of the customer charges on a periodic basis to ensure that the scheduled securitization debt service and ongoing transaction costs are paid on a timely basis. True-up adjustments are also designed to minimize any over-collections and target the relatively low 100% (or 1.0x) debt service coverage. True-up adjustments are to be implemented by the servicers, and by the terms of the Securitization Statute (Conn. Gen. Stat. § 16-245i). Consistent with other recent utility securitization transactions, I recommend that true-up adjustments take place at least

annually to correct any overcollections or under-collections and to ensure the billing of amounts necessary to generate collections of the RRB Charge sufficient to timely provide payment of all amounts due on the Bonds and all other ongoing transaction costs. In addition, I recommend the financing order requires that RRB Charge be adjusted semi-annually if a servicer forecasts a shortfall in RRB Charge collections to ensure the amount of RRB Charges collected is sufficient to make all scheduled payments of principal of and interest on the Bonds and ongoing transaction costs on a timely basis, including to replenish draws on the capital subaccount. The financing order should also permit true-up adjustments may also be made by the servicers more frequently at any time, without limits as to frequency, in order to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the Bonds. The servicer should be permitted to use a non-standard class allocation adjustment in cases of a significant and sustained change in the forecasted load of any customer class.

I further recommend that the true-up adjustment calculations occurring in each period take into account actual collections received during months since the prior true-up adjustment, as well as scheduled debt service and financing costs projected to be due over the two upcoming debt service

payment periods (the periods ending on the first and second payment dates following the true-up adjustment date). The true-up adjustment calculation methodology will take into account updated energy usage and revenue forecasts, any changes in PURA-approved customer rate allocations, as well as updated customer payment aging, delinquency and uncollectibles data.

Witness Fallon provides more detail concerning the true-up mechanism in his testimony.

IV. DISCUSSION OF THE EXECUTION PROCESS

A. Rating Agency Process

Q. PLEASE DESCRIBE THE RATING AGENCY PROCESS.

A. An important element of preparing for the marketing and pricing of the Bonds is obtaining the highest achievable ratings from the rating agencies. The Company and the structuring advisors and lead underwriter for the Company will prepare written presentations and may meet with rating agency personnel to discuss the credit framework and credit strengths of the Bonds, and the structural features of the Bonds with each hired rating agency. It is important to note that rating agencies are completely independent institutions, and each rating agency has its own method of reviewing a utility securitization and will request certain data and information that will facilitate

such a review process. Rating agencies may update or amend their rating criteria at any time. The Company's structuring advisor and lead underwriter will work with the Company to draft presentations and materials that contain the required data and information. Additionally, the rating agencies may require a diligence review of the servicer's billing and collecting processes. Whether this review is done on-site or via the telephone depends on several factors and is ultimately up to each rating agency. Each rating agency will follow-up with additional questions.

The ratings process also entails a review of the cash flows of the proposed structure. As part of this phase, each rating agency will ask for various cash flow stress scenarios based on its requirements and the details of the particular transaction to ensure that the Bonds will be repaid under extremely stressful cash flow projections. These rating agency cash flow stress scenarios may include assumptions that zero out revenues each year during the peak consumption months, that assume that all industrial customers leave the service territory, assume that the widest historical variance between actual consumption and forecasted consumption is multiplied five or more times over the life of the transaction, as well as other stress assumptions regarding write-offs and delinquencies.

Important rating elements include:

- Legal and regulatory framework;
- Political and regulatory environment;
- Transaction structure;
- Servicing review and capabilities;
- Service areas analysis;
- Cash flow stress analysis; and
- Maximum size of the RRB Charge during projected stress scenarios as a percentage of the average residential customer bill.

B. Marketing Process

Q. PLEASE DESCRIBE THE BOND MARKETING PROCESS.

A. The marketing process entails several different phases, each uniquely tailored to the asset class, market conditions, and the specifics of the contemplated transaction. The underwriters will work with and make recommendations to the Company throughout the process to target the widest range of investors in with the goal of achieving lowest cost on the Bonds consistent with market conditions at the time such Bonds are priced and the terms of this financing order. The process conducted will be consistent with the proposed issuance advice letter procedure described in paragraph C below, as well as with SEC rules and regulations regarding publicly registered securities offerings, including an investor suitability

analysis. Once the Bonds have priced, the Company, with its underwriters and legal team, will work toward finalizing the transaction documents and close the transaction, typically approximately five business days after pricing.

C. Key Issuance Advice Letter Considerations

Q. PLEASE EXPLAIN THE PURPOSE OF THE ISSUANCE ADVICE LETTER.

A. The Company proposes to provide an IAL, prepared by the Company and delivered to PURA prior to the issuance of the Bonds describing the final structure and terms of the Bond issuance, including an updated accounting of the upfront transaction costs and ongoing transaction costs.

Q. PLEASE DISCUSS KEY ASPECTS OF THE ISSUANCE ADVICE LETTER PROCEDURE.

A. The IAL shall be in the form approved in a financing order and report the initial RRB Charge, indicate the final structure, including terms, of the Bond issuance and best estimates of total annual ongoing transaction costs for the Bonds.

V. DISCUSSION OF THE FINANCING ORDER

Q. ARE THE TERMS OF A FINANCING ORDER CRITICAL TO ACHIEVING A SUCCESSFUL RATE REDUCTION BOND TRANSACTION?

A. Yes. The financing order, when taken together with applicable provisions of the Securitization Statute, establishes in strong and definitive terms the legal right of bond investors to receive, in the form of RRB Charges, those amounts necessary to pay the interest and principal on the Bonds and other ongoing transaction costs in full and on a timely basis. A proposed draft of the financing order is provided as Exhibit CLP-FINANCING ORDER-1 to the Petition.

As mentioned earlier, the financing order specifies the mechanisms and structures for payments of bond interest, principal, and ongoing transaction costs in a manner that minimizes the amount of additional credit enhancements required by the rating agencies in order to achieve the highest possible ratings for the Bonds. The highest possible ratings will allow the lowest cost on the Bonds consistent with market conditions at the time such Bonds are priced and the terms of this financing order. In addition, the financing order, when taken together with applicable provisions of the Securitization Statute, will enable the Company to structure the financing in a manner reasonably consistent with investor preferences and rating agency considerations at the time of pricing, which is also necessary for the financing to achieve the desired results.

Q. WHAT ARE THE KEY ELEMENTS OF THE FINANCING ORDER THAT ARE ESSENTIAL TO ACHIEVING THE DESIRED RESULT FOR THE TRANSACTION?

A. The Securitization Statute sets out several key elements for a financing order. Once the transition property is created, one of the most important elements is insulating the transaction from any potential bankruptcy risk of CL&P, which is accomplished via a legal "true sale" of the Company's interest in the transition property to the SPE. The structure utilized with this transaction, along with other securitizations, relies on features that allow the rating agencies and investors to conclude that the SPE is highly unlikely to become the subject of a bankruptcy proceeding in the unlikely event of a bankruptcy of the Company. Under the Federal bankruptcy code, payments on the debt obligations of an issuer in a bankruptcy proceeding become subject to an automatic stay – i.e., the payments are suspended until the courts decide which creditors of the issuers are to be paid, when they will be paid, and whether they are to be paid in whole or in part. Unless the risk of an automatic stay in the unlikely event of a bankruptcy of the Company is essentially removed from the rating agencies' credit analysis, the financing cannot achieve the highest possible ratings, since the Company's secured debt obligations are rated below AAA.

In addition, the creation of a bankruptcy-remote SPE, which is legally distinct from the utility, is designed to limit the ability of the SPE to be included with the Company in the unlikely event of a Company bankruptcy. Therefore, even if the Company were to declare bankruptcy, the SPE would not become the subject of the Company's bankruptcy proceeding, and the SPE's debt service payments to investors would not be subject to the Company's automatic stay. The transaction, as structured and reflected in the financing order, is intended to achieve this important element. This legal structure is supported by true sale and non-consolidation legal opinions from experienced legal counsel.

Q. ARE THERE ANY OTHER COMPONENTS OF THE FINANCING ORDER THAT ARE ESSENTIAL TO ESTABLISHING THE LEGAL FOUNDATION FOR THE TRANSACTION?

A. There are several provisions in the financing order that ensure that the SPE will be deemed to be bankruptcy-remote in addition to the elements mentioned above, including that the SPE will have at least one independent manager whose approval will be required for certain organizational changes or major actions of the SPE, such as a voluntarily filing for bankruptcy by the SPE. The financing order will also enable the transfer of the transition property from the Company to the SPE to be a "true sale." As discussed

above, a true sale is a sale that a bankruptcy court should not overturn in the case of any Company bankruptcy. The financing order will allow the SPE to issue the Bonds, pledging the transition property as security for payment on the Bonds.

Q. DOES THE FINANCING ORDER PROVIDE FOR ANY CREDIT ENHANCEMENT TO THE TRANSACTION?

A. Yes, in a number of forms. The most fundamental component of credit enhancement to investors is the true-up mechanism, which is a cornerstone of utility securitizations. The financing order, together with the Securitization Statute, ensures that the RRB Charge collections arising from the transition property are expected to be sufficient to pay all amounts owed on the Bonds on a timely basis and in full, even in the face of dramatic reductions in electricity usage by the Company's retail customers or dramatic increases of delinquencies and losses on payments from the Company's customers.

It is critical for rating agency purposes that, insofar as PURA action is required, true-up adjustments are automatic (for example, the true-up adjustment is not subject to hearing, protest or appeal) and are implemented on an immediate basis subject only to mathematical and clerical error review. The review by PURA of each true-up adjustment is limited in this way because PURA approves the true-up mechanism in the financing order.

Public utility commissions are typically given between 15 and 30 days to review the requested true-up adjustments for mathematical or clerical error, and based on the utility securitization market, the Company proposes a 15-day review; with the adjustment being deemed approved and effective absent manifest error in the true-up adjustment filing. True-up adjustments will consider ongoing transaction costs as well as anticipated debt service requirements. The true-up mechanism shall remain in effect until the Bonds and all associated transaction costs have been fully paid and any under-collection is recovered from customers and any over-collection is returned to customers.

The capital subaccount at the SPE will be funded with an amount equal to at least 0.50 percent of the initial principal amount of the Bonds, as the case may be, and will also serve as credit enhancement of the Bonds issued by the SPE. Also, it is important that the financing order provide for flexibility to include other forms of credit enhancement and other mechanisms (e.g., letters of credit, additional amounts of overcollateralization or reserve accounts, or surety bonds) to improve the marketability of the Bonds. None are anticipated but it is important to have such built-in flexibility if the Company and the underwriters later determine

the use of such additional credit enhancements would lead to greater overall savings to customers.

Q. PLEASE EXPAND ON YOUR USE OF THE TERM "NONBYPASSABLE" IN YOUR PREVIOUS ANSWER.

A. The Securitization Statute provides that the payment of RRB Charges as authorized by PURA shall be non-bypassable and paid by all Connecticut customers of the Company. This is another important element of the financing order, both for the rating agency process and for investor considerations.

Q. PLEASE DISCUSS THE IRREVOCABLE NATURE OF THE FINANCING ORDER.

A. Subsequent to the transfer to the transition property to an assignee or the issuance of the Bonds, whichever is earlier, the financing order will become irrevocable and, except for changes made pursuant to the true-up process, PURA will not be permitted to limit, alter, amend, reduce or impair the competitive transition assessment, transition property, financing orders, and all rights thereunder until the obligations, together with the interest thereon, are fully met and discharged by any subsequent action or reduce, impair, postpone, terminate or otherwise adjust RRB Charges approved in the financing order.

Equally important, pursuant to Conn. Gen. Stat. § 16-245j(b), the State of Connecticut pledges and agree with owners of transition property and bondholders that neither the State nor any agency will not take any action listed in Conn. Gen. Stat. § 16-245j(b)as to any outstanding bonds, including the Bonds, the RRB Charge, or transition property.

Investors generally perceive that one of the greatest risks to them is that there is a change in law that affects the transition property, thereby adversely affecting their rights under the Securitization Statute or the financing order. Pursuant to the Securitization Statute, the bondholders will have the full rights and benefits pursuant to Conn. Gen. Stat. § 16-245j(b). PURA's affirmation in the financing order will enhance investor confidence that the risk of an adverse change in law or regulation is remote and will permit counsel to deliver important legal opinions that such adverse changes would not be legally valid.

Q. ARE THERE ANY OTHER KEY ELEMENTS OF THE FINANCING ORDER UPON WHICH YOU WISH TO ELABORATE?

A. Yes. As there will be some time between the issuance of the financing order and when the Bonds are brought to market, the Company seek the flexibility to establish the final terms and conditions of the Bonds to best suit the market conditions at the time they are being sold to investors. This flexibility

will allow the Company to structure and issue the Bonds to meet the requirements of the Securitization Statute.

VI. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. I believe the financing order, as proposed, is in the customers' best interest because it will enable the Company to structure a transaction that can achieve the highest possible ratings, and meet investor requirements to produce cost savings to customers and result in the lowest cost on the Bonds consistent with market conditions at the time such Bonds are priced and the terms of this financing order.

Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

A. Yes, it does. Thank you.

Illustrative Amortization Schedule

Class	A-1	A-2
WAL	4.33	10.09
Balance ($mm)	$350,000,000	$270,364,568
Coupon	5.230%	5.620%

	A-1			A-2			
Year	Balance	Principal	Coupon	Balance	Principal	Coupon	Total P&C
0.0	350,000,000			270,364,568			
0.9	315,090,832	34,909,168	16,779,583	270,364,568	-	13,928,281	65,617,033
1.4	295,136,593	19,954,239	8,239,625	270,364,568	-	7,597,244	35,791,109
1.9	274,660,550	20,476,042	7,717,822	270,364,568	-	7,597,244	35,791,109
2.4	253,649,059	21,011,491	7,182,373	270,364,568	-	7,597,244	35,791,109
2.9	232,088,118	21,560,941	6,632,923	270,364,568	-	7,597,244	35,791,109
3.4	209,963,358	22,124,760	6,069,104	270,364,568	-	7,597,244	35,791,109
3.9	187,260,035	22,703,323	5,490,542	270,364,568	-	7,597,244	35,791,109
4.4	163,963,021	23,297,014	4,896,850	270,364,568	-	7,597,244	35,791,109
4.9	140,056,790	23,906,231	4,287,633	270,364,568	-	7,597,244	35,791,109
5.4	115,525,410	24,531,379	3,662,485	270,364,568	-	7,597,244	35,791,109
5.9	90,352,535	25,172,875	3,020,989	270,364,568	-	7,597,244	35,791,109
6.4	64,521,390	25,831,146	2,362,719	270,364,568	-	7,597,244	35,791,109
6.9	38,014,760	26,506,630	1,687,234	270,364,568	-	7,597,244	35,791,109
7.4	10,814,981	27,199,778	994,086	270,364,568	-	7,597,244	35,791,109
7.9	-	10,814,981	282,812	253,268,497	17,096,071	7,597,244	35,791,109
8.4	-	-	-	224,594,233	28,674,264	7,116,845	35,791,109
8.9	-	-	-	195,114,222	29,480,011	6,311,098	35,791,109
9.4	-	-	-	164,805,823	30,308,399	5,482,710	35,791,109
9.9	-	-	-	133,645,758	31,160,065	4,631,044	35,791,109
10.4	-	-	-	101,610,095	32,035,663	3,755,446	35,791,109
10.9	-	-	-	68,674,230	32,935,865	2,855,244	35,791,109
11.4	-	-	-	34,812,867	33,861,363	1,929,746	35,791,109
11.9	-	-	-	-	34,812,867	978,242	35,791,109

Notes:

1. Structure is preliminary and subject to change based on market conditions and rating agency requirements at the time of pricing.
2. Structure is based in part upon information supplied by the Company, which is believed to be reliable but has not been verified. No representation or warranty is being made relating to this structure. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates. No assurance can be given that any such assumptions will reflect actual future events. Totals may not foot due to rounding.
3. Assumes “AAA(sf)” ratings by S&P and Moody’s.
4. Assumes treasury rates as of September 11, 2026.

#	Sponsor / Issuer	Deal Amount ($ millions)	Pricing Date
1	Edison International	1,953.948	26-Jul
2	American Electric Power Co (AEP)	1,375.500	26-May
3	CenterPoint Energy Inc	1,193.474	26-Feb
4	Edison International	1,642.716	25-Nov
5	Duke Energy Corp	561.398	25-Nov
6	Duke Energy Corp	460.646	25-Sep
7	Duke Energy Corp	582.089	25-Sep
8	CenterPoint Energy Inc	401.593	25-Sep
9	Electric Reliability Council of Texas (ERCOT)	379.100	25-Aug
10	American Electric Power Co (AEP)	477.749	25-Jun
11	Cleco Power	305.000	25-Mar
12	Rochester Gas and Electric Corporation	75.300	25-Feb
13	New York State Electric & Gas Corporation	710.600	25-Feb
14	Southwestern Electric Power Company	336.700	24-Dec
15	Ameren	476.121	24-Dec
16	Pacific Gas & Electric	1,419.285	24-Jul
17	Duke Energy Corp	177.000	24-Apr
18	Evergy Inc	331.000	24-Feb
19	Dominion Energy Inc	1,282.000	24-Feb
20	Algonquin Power & Utilities Corp	305.000	24-Jan
21	CMS Energy Corp	646.000	23-Dec
22	PNM Resources Inc	343.000	23-Nov
23	DTE Energy Co	602.000	23-Oct
24	CenterPoint Energy Inc	341.000	23-Jun
25	Atmos Energy Kansas	95.000	23-Jun
26	Edison International	775.000	23-Apr
27	Entergy Corp	1,491.000	23-Mar
28	Texas Public Finance Authority	3,521.750	23-Mar
29	Entergy Corp	209.000	22-Dec
30	Brazos Electric Power Cooperative	713.000	22-Dec
31	Denton County Electric Cooperative Inc (CoServ)	460.000	22-Dec
32	United Electric Cooperative Inc (UEC)	452.000	22-Dec

#	Sponsor / Issuer	Deal Amount ($ millions)	Pricing Date
33	Pacific Gas and Electric	983.360	22-Nov
34	One Gas Kansas	336.000	22-Nov
35	Summit Utilities Oklahoma	81.570	22-Oct
36	Long Island Power Authority (UDSA)	935.660	22-Sep
37	American Electric Power	696.920	22-Aug
38	One Gas Oklahoma	1,354.200	22-Aug
39	Pacific Gas and Electric	3,899.960	22-Jul
40	Oklahoma Gas and Electric	761.650	22-Jul
41	Cleco Power	425.000	22-Jun
42	Electric Reliability Council of Texas	2,115.700	22-Jun
43	Entergy Louisiana	3,193.510	22-May
44	Pacific Gas and Electric	3,600.000	22-May
45	Entergy Texas	290.850	22-Mar
46	DTE Energy	235.800	22-Mar
47	Rayburn	908.220	22-Feb
48	Edison International	533.270	22-Feb
49	Duke Energy North Carolina (DEP)	769.630	21-Nov
50	Duke Energy North Carolina (DEC)	237.210	21-Nov
51	Pacific Gas & Electric	860.400	21-Nov
52	WEC Energy Group	119.810	21-May
53	Edison International	338.780	21-Feb
54	AEP Texas	235.280	19-Sep
55	Public Service Company of New Hampshire	635.700	18-May
56	Long Island Power Authority	369.500	17-Oct
57	Long Island Power Authority	469.300	16-Sep
58	Duke Energy Florida	1,294.300	16-Jun
59	Long Island Power Authority	637.800	16-Mar
60	Long Island Power Authority	1,002.100	15-Oct
61	Entergy New Orleans	98.700	15-Jul
62	Department of Business, Economic Development, and Tourism	150.000	14-Nov
63	Entergy Louisiana	243.900	14-Jul
64	Entergy Louisiana	71.000	14-Jul
65	Consumers Energy	378.000	14-Jul

#	Sponsor / Issuer	Deal Amount ($ millions)	Pricing Date
66	Long Island Power Authority	2,082.259	13-Dec
67	AEP West Virginia	380.300	13-Nov
68	AEP Ohio	267.400	13-Jul
69	FirstEnergy	444.900	13-Jun
70	AEP Texas Central	800.000	12-Mar
71	CenterPoint Energy Houston Electric	1,695.000	12-Jan
72	Entergy Louisiana	207.200	11-Sep
73	Entergy Arkansas	124.100	10-Aug
74	Entergy Louisiana	468.900	10-Jul
75	Entergy Gulf States Louisiana	244.100	10-Jul
76	Potomac Edison Company	21.500	09-Dec
77	Monongahela Power Company	64.400	09-Dec
78	CenterPoint Energy	664.900	09-Nov
79	Entergy Texas	545.900	09-Nov
80	Entergy Louisiana	278.400	08-Aug
81	Entergy Gulf States Louisiana	687.700	08-Jul
82	Cleco Power	180.600	08-Feb
83	CenterPoint Energy	488.500	08-Jan
84	Baltimore Gas & Electric	623.200	07-Jun
85	Entergy Gulf States	329.500	07-Jun
86	Florida Power and Light	652.000	07-May
87	Monongahela	344.500	07-Apr
88	Potomac Edison	114.800	07-Apr
89	AEP Texas Central	1,740.000	06-Sep
90	Jersey Central Power & Light	182.400	06-Aug
91	CenterPoint Houston	1,851.000	05-Dec
92	Pacific Gas & Electric	844.500	05-Nov
93	West Penn Power	115.010	05-Sep
94	Public Service Electric & Gas	102.700	05-Sep
95	Nstar (Boston Edison)	674.500	05-Feb
96	Pacific Gas & Electric	1,887.900	05-Feb
97	Rockland Electric	46.310	04-Jul
98	State of Connecticut (CL&P/UIC)	205.300	04-Jun

#	Sponsor / Issuer	Deal Amount ($ millions)	Pricing Date
99	TXU Electric Delivery	789.800	04-May
100	Atlantic City Electric	152.000	03-Dec
101	Oncor Electric Delivery	500.000	03-Aug
102	Atlantic City Electric	440.000	02-Dec
103	Jersey Central Power and Light	320.000	02-Jun
104	Central Power and Light	797.300	02-Jan
105	Public Service Company of New Hampshire	50.000	02-Jan
106	Consumers Energy	468.600	01-Oct
107	Reliant Energy	748.900	01-Oct
108	Western Massachusetts	155.000	01-May
109	Public Service Company of New Hampshire	525.000	01-Apr
110	Connecticut Light & Power	1,438.400	01-Mar
111	Detroit Edison	1,750.000	01-Mar
112	PECO Energy	805.500	01-Feb
113	PSE&G	2,525.000	01-Jan
114	PECO Energy	1,000.000	00-Apr
115	West Penn Power	600.000	99-Nov
116	Pennsylvania Power & Light	2,420.000	99-Jul
117	Boston Edison	725.000	99-Jul
118	Sierra Pacific Power	24.010	99-Mar
119	PECO Energy	4,000.000	99-Mar
120	Illinois Power	864.000	98-Dec
121	Commonwealth Edison	3,400.000	98-Dec
122	Montana Power	62.710	98-Dec
123	San Diego Gas & Electric	658.000	97-Dec
124	Southern California Edison	2,463.000	97-Dec
125	Pacific Gas & Electric	2,901.000	97-Nov
126	Puget Sound Energy	35.210	97-Jul
127	Puget Sound Power & Light	202.250	95-Jun
Total		**103,016.15**	