REDACTED

EVERSOURCE ENERGY

Memo

To: Internal Records
From: [redacted], Manager – Revenue & Regulatory Accounting
Date: January 21, 2026
Re: Estimation of the allowance for doubtful accounts

Process:
The accounts receivable for electric [redacted] customers is recorded to the GL from the Customer Central system (C2) for CL&P; [redacted]. The receivable balance for each customer is calculated by C2 as part of the nightly Billing process. See the Sarbanes-Oxley documentation of the C2 billing process for further detail. [redacted]

Each month the Revenue & Regulatory Accounting Department runs aging reports to identify the delinquent active and inactive balances from C2 [redacted]. Third party supplier balances are included for CL&P due its ownership of these receivables per regulatory order without a fully tracking mechanism. [redacted] Following implementation of new credit loss standard on January 1, 2020, all Eversource companies now include all customer receivables in their aging report summaries and related calculations (except third party supplier amounts noted above but including late payment charges and all customer classes).

The active receivables are sorted into the following basic categories: 30 days or less, 31-60 days, 61-90 days, 91-120 days, 121-240 days, 241-360 days and 360+ days; and sorts the inactive receivables into 30 days or less, 31-60 days and 60+ days. Inactive accounts consist of customers that no longer receive electricity [redacted], either due to forced shutoffs or accounts closed at the customer's request but are not yet written off. Changes in a customer's account status are recorded in the billing systems. The aging of active accounts begins on the date the receivable was created. Whereas, the inactive aging calculation is based on the number of days since the customer became inactive.

The data from the aging reports is summarized for all receivables at each operating company. The aging reports break out hardship receivables (seasonal and year-round protected accounts for CL&P[3] [redacted], which are summarized and removed for purposes of the adequacy calculation. [redacted] Customer accounts on arrearage forgiveness programs are also removed for all companies [redacted] from these receivables due to separate tracking mechanisms to recover related bad debt. [redacted]

The hardship, arrearage forgiveness [redacted] are separated from the genera reserve ca cu a ions ecause wri e-o s or orgiveness of these receivables are or will be recovered through regulatory trackers rather than standard bad debt expense. A separate hardship reserve that includes arrearage forgiveness customers is generally established at 40 percent of receivables less than 90 days old and 100 percent of the receivables greater than 90 days old. Changes in reserve balances due to new receivables, collections, etc. are recorded to the regulatory deferral accounts. [redacted]

The Reserve Calculation Report estimates the general reserve using the historical percentage of receivables that were uncollectible over a rolling 12 month period. The uncollectible percentages are based on the portion of receivables in each bucket that will flow to the subsequent bucket as determined by historical data, except for the 0-30 day receivable percentage described below. The uncollectible percentage of receivables is updated monthly to include the data from the most recent month. Fixed reserve percentages are applied to older aging buckets due to high risk of collection (i.e. 75% for >60 day inactive accounts that are more likely to get written off than pay or enter a hardship program to get reconnected, 90% for active electric accounts greater than one year old, etc.). Fixed percentages based on prior normal year activity are also used during times of unreliable aging data that is not indicative of future performance (such as unusual aging trends during COVID pandemic). [redacted]

The bad debt allowance for 0-30 day receivable amounts is determined from a monthly calculation that multiplies a 12-month historical write-off rate to current month revenues. This write-off rate is updated each month, except during times of abnormal write-off trends that are not indicative of future bad debt expense (such as minimal write-offs due to a disconnect moratorium during COVID pandemic in 2020/2021 [redacted]). In times of abnormal write-off amoun s, a ixe ra e rom mos recen norma 12-month historical period is used until the abnormal period has passed and 12 months of normal history can be derived. The current period allowance is then added to the other aging bucket amounts and special reserve needs to arrive at the total bad debt reserve requirements. These requirements are compared to the general ledger balance and necessary adjustments are made in the monthly close.

Data from the C2, is manually input into the Reserve Calculation Report by a Revenue egu a ory ccoun an . he Reserve Calculation Report is reviewed by the Senior Staff Accountant (if applicable), who then forwards to the appropriate Manager of Revenue & Regulatory Accounting for final review and approval. The reviewed electronic copy is then filed in the monthly documentation folder. The final version of the report is issued to the Controller, Accounting Director, Financial Analysis groups, Credit & Collections and various other Budget or Business Services personnel. Each member reviews the report and notifies Revenue & Regulatory Accounting of any issues/recommended adjustments based on subject expertise. Regular meetings are held each quarter to discuss reserve adequacy based on collection statistics, process and specific accounts that may need coverage beyond the current calculation.

The general entry to reserve for doubtful accounts on customer A/R is:

dr. Bad debt expense (904000)	XXX	
cr. Allowance for doubtful accounts (144010)		XXX

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Write-Offs

All customers are typically written-off after an account is inactive for 120 days. At this point, the Credit & Collections Department processes the write-off in applicable A/R systems. Revenue & Regulatory Accounting runs billing system reports to list the write-offs from the previous month for all companies. Monthly write-offs are made to the following accounts:

dr. Allowance for doubtful accounts (144010)	XXX	
cr. Customer accounts receivable (142010)		XXX

Hardship account write-offs are segregated and reclassified each month from the general reserve to the hardship reserve, where applicable, as well as third party [redacted] to the appropriate reserve or regulatory tracked accounts. The monthly change in hardship balances, net of write-offs, is recorded to appropriate regulatory deferrals for future recovery or refund.

Customers can also be written-off upon filing for bankruptcy. Credit and Collections is notified of any bankruptcies since a bankrupt customer must notify all of its creditors upon filing for bankruptcy. Upon notification, Credit and Collections will typically write-off the receivable. However, in some cases management may determine a write-off is not appropriate. This determination is made after discussion with the Legal Department. Although receivables related to some bankrupt companies are not written-off upon the bankruptcy filing, an appropriate reserve is established for any material receivable amounts.