COMPETITIVE TRANSITION ASSESSMENT COST ADJUSTMENT

The Competitive Transition Assessment Cost Adjustment shall recover on a fully reconciling annual basis from all customers taking service under the Company's rates all of the Company's stranded investment as approved by the Connecticut Department of Public Utility Control (the "Department") and the principal, interest and other expenses associated with rate reduction bonds issued to recover or finance such stranded investment or to sustain funding of conservation and load management and renewable energy investment programs. The CTA shall be calculated in accordance with formulas subject to approval of the Department. A portion of the CTA collected from customers is owned by CL&P Funding LLC, and another portion is owned by the State of Connecticut.

Each adjustment of the prices under the Company's applicable rates shall be in accordance with a notice filed with the Department setting forth amount of the applicable Competitive Transition Assessment Cost Adjustment, the amount of the increase or decrease and the effective delivery charge on the Company's rates as adjusted to reflect the new Competitive Transition Assessment Cost Adjustment amount. The notice shall further specify the effective date of such adjustment, which shall not be earlier than thirty days after the filing of the notice, or such other date as the Department may authorize.

This annual proceeding will include the following components:

- Recalculation as necessary of the residual value for the CTA available each year under any applicable rate cap, and appropriate adjustments made to the CTA rate and amortization periods for stranded costs to assure full recovery.

- Annual adjustments to reflect changes in the amount of securitized assets and in the expenses associated with the rate reduction bonds.

- Changes in total stranded cost based upon actual receipt of proceeds, net of taxes and the costs of sale, associated with the Company's fossil and hydroelectric facility auction.

- Conversion of the interim nuclear capital cost recovery mechanism to collection of stranded costs at the conclusion of the nuclear auction.

- At least once every four years, recalculation of nuclear stranded costs for any facility that was not sold at auction.

- Annual recalculation of stranded costs for long-term contracts that have not been reduced to fixed present value.

- Annual update to CL&P's cost of capital to be applied to the unrecovered balance of unsecuritized stranded costs, as suggested above, or to reflect any changes in the Company's authorized return on equity in any subsequent general rate proceeding.