NEW ISSUE (See **RATINGS** herein)

$205,345,000
State of Connecticut
Special Obligation Rate Reduction Bonds
(2004 Series A)

Dated: **Date of Delivery** Due: **As shown below**

The Bonds will be special obligations of the State of Connecticut (the "State") secured by and payable solely from the collateral described herein. Neither the full faith and credit nor the taxing power of the State will be pledged for the payment of the principal of and interest on the Bonds. See **THE BONDS – Nature of Obligation and Security.**

The Bonds are being issued to sustain for two years the funding of energy conservation and load management and renewable energy investment programs by providing money to the State's General Fund.

Interest on the Bonds will be payable on December 30, 2004, and thereafter on June 30 and December 30 in each year on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered bonds, without interest coupons, in denominations of $5,000 or any integral multiple thereof, registered in the nominee name of The Depository Trust Company. **The Bonds are not subject to redemption prior to maturity.**

Maturity	Amount	Interest Rate	Yield	CUSIP
December 30, 2004	$12,605,000	3.00%	1.22%	20775T AA5
June 30, 2005	12,975,000	3.00	1.60	20775T AB3
December 30, 2005	13,170,000	4.00	1.90	20775T AC1
June 30, 2006	9,760,000	5.00	2.12	20775T AD9
June 30, 2006	3,675,000	2.50	2.12	20775T AE7
December 30, 2006	13,720,000	5.00	2.43	20775T AF4
June 30, 2007	11,025,000	5.00	2.58	20775T AG2
June 30, 2007	3,040,000	3.00	2.58	20775T AH0
December 30, 2007	14,385,000	5.00	2.80	20775T AJ6
June 30, 2008	11,745,000	5.00	2.96	20775T AK3
June 30, 2008	3,000,000	3.00	2.96	20775T AL1
December 30, 2008	15,085,000	5.00	3.13	20775T AM9
June 30, 2009	12,460,000	5.00	3.25	20775T AN7
June 30, 2009	3,000,000	3.50	3.25	20775T AP2
December 30, 2009	15,825,000	5.00	3.37	20775T AQ0
June 30, 2010	14,985,000	5.00	3.47	20775T AR8
June 30, 2010	1,235,000	3.50	3.47	20775T AS6
December 30, 2010	16,620,000	5.00	3.56	20775T AT4
June 30, 2011	14,020,000	5.00	3.65	20775T AU1
June 30, 2011	3,015,000	4.00	3.65	20775T AV9

In the opinion of Bond Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the alternative minimum tax, such interest is taken into account in computing the alternative minimum tax, as described under **TAX EXEMPTION***; and under existing statutes interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.*

The Bonds are offered when, as and if issued and received by the Underwriters, subject to approval as to legality by Pullman & Comley, LLC, as Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Sidley Austin Brown & Wood LLP, as Underwriters' Counsel. Certain matters will be passed upon for The Connecticut Light and Power Company by Day, Berry & Howard LLP and for The United Illuminating Company by Wiggin and Dana LLP. The Bonds are expected to be available for delivery at DTC in New York, New York, on or about June 23, 2004.

Honorable Denise L. Nappier
Treasurer of the State of Connecticut

Lehman Brothers

Advest, Inc. **A.G. Edwards & Sons, Inc.**

Loop Capital Markets, LLC **Ramirez & Co., Inc.**

Dated: June 9, 2004

This Offering Circular is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof. Any statements in this Offering Circular involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. All quotations from and summaries and explanations of provisions of laws of the State contained in this Offering Circular do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the Bonds and the proceedings and agreements relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings. This Offering Circular is submitted only in connection with the sale of the Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except as specifically authorized by the State. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Offering Circular and, if given or made, such other information or representations must not be relied upon. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No representations are made or implied by the State or the Underwriters as to any offering of any derivative instruments. Any electronic reproduction of this Offering Circular may contain computer-generated errors or other deviations from the printed Offering Circular. In any such case, the printed version controls.

This Offering Circular contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. The inclusion of such forecasts, projections and estimates should not be regarded as a representation by the State or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. If and when included in this Offering Circular the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date they were prepared. The State disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein (except as required by law) to reflect any change in the State's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFERING CIRCULAR AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

The Underwriters have provided the following sentence for inclusion in this Offering Circular: The Underwriters have reviewed the information in this Offering Circular in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY OF TERMS

The following is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular. Terms used in this summary and not defined herein are defined in "APPENDIX A–The Indenture."

Issuer	The State of Connecticut (the "State").
Securities Offered	$205,345,000 Special Obligation Rate Reduction Bonds (2004 Series A) (the "Bonds"), are to be issued pursuant to the RRB Indenture, dated as of June 23, 2004 (the "Indenture"), by and between the State and the Trustee. The Bonds will be primarily secured by the Transition Property and payable from the State RRB Charge. See **The Bonds** and **The Transition Property**.
Trustee	Wachovia Bank, National Association.
Servicers	The Connecticut Light and Power Company ("CL&P") and The United Illuminating Company ("UI" and, with CL&P, the "Companies") will service the Transition Property and collect the State RRB Charge. See **Servicing**.
Special Obligations	The Bonds will be special obligations of the State secured by and payable solely from the collateral described herein. Neither the full faith and credit nor the taxing power of the State is pledged to the payment of principal of, or interest on, the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation thereto or to make any appropriation for their payment.
Purpose of Issue	The Bonds are being issued to sustain for two years the funding of energy conservation and load management ("C&LM") and renewable energy investment ("Renewables") programs (the "Programs") by providing money to the State's General Fund.
Enabling Legislation	The Bonds will be issued pursuant to Connecticut General Statutes §§ 16-245e through 16-245k, 16-245m and 16-245n, as amended (the "Act"). The Act authorizes, among other things, the creation by the Connecticut Department of Public Utility Control (the "DPUC") through a financing order (the "Financing Order"), of an irrevocable property right ("Transition Property") in a non-bypassable charge (the "State RRB Charge") that will be calculated, billed and collected separately by each Company as a component of its respective competitive transition assessment ("CTA") in an aggregate amount sufficient to recover the principal, interest, credit enhancement and fees and expenses associated with the Bonds. The Act provides that the Transition Property authorized to sustain funding of the Programs shall, immediately upon its creation, vest solely in the State, as the "financing entity" authorized by the State, acting through the Office of the State Treasurer, to issue the Bonds. The Act also provides that each Company, in respect of the Transition Property, shall only be a collection agent on behalf of the State, as financing entity. Neither Transition Property nor State RRB Charge collections are property or revenue of the Companies.

Financing Order.....	The DPUC has issued the Financing Order (i) approving the issuance of the Bonds to sustain funding of the Programs pursuant to the Act; (ii) establishing the Transition Property, including the State RRB Charge; (iii) providing for the periodic adjustment of the State RRB Charge by a true-up mechanism; (iv) approving the servicing of the State RRB Charge by CL&P and UI, as the initial Servicers for the Transition Property, or any successor servicer, under Servicing Agreements; (v) ordering a reduction in CL&P's and UI's C&LM and Renewables charges to offset the State RRB Charge; and (vi) declaring the Financing Order irrevocable as provided in the Act.
State RRB Charge.....	Each Company will periodically calculate a separate State RRB Charge that, when combined with money available under the Indenture, will be sufficient to recover its allocation of (a) principal and interest due on the Bonds, (b) the costs of servicing the Bonds, including servicing fees, trustee fees, rating agency fees, legal and accounting fees and other related fees and expenses ("Servicing and Administrative Expenses"), (c) the amount necessary to replenish the Reserve Account to the Reserve Requirement, and (d) an amount equal to 1/2 of 1% of items (a), (b) and (c) (the required periodic payment of such, including deficiencies on past due required periodic payments, the "Periodic RRB Payment Requirement" and, collectively, the "Total RRB Payment Requirements"). The Act directs the DPUC to adjust the State RRB Charge periodically at the request of either CL&P or UI to ensure the timely recovery of the Periodic RRB Payment Requirement. Pursuant to the Act, the State RRB Charge will be a non-bypassable charge assessed against each customer beginning on the date the Bonds are issued and applied equally to each Company's retail customers of the same class in accordance with methods of allocation of the C&LM and Renewables charges. Subject to DPUC approval, the State RRB Charge may in the future include a pro rata component of any "exit fee" collected from any retail customer pursuant to the restructuring statute. The State RRB Charge is expected to be imposed, adjusted and collected so that the principal of and interest on the Bonds are paid when due. However, pursuant to the Act, in the event that the Bonds have not been fully repaid prior to their final maturity, the State RRB Charge shall continue to be billed and collected until the principal and interest and all costs associated with the Bonds have been fully repaid. The State RRB Charge will be offset against charges for the Programs on electric customers' bills, so that customers will be unaffected by collection of the State RRB Charge. The State RRB Charge for each Company will be set each year or more frequently such that the Total RRB Payment Requirements for the life of the transaction will be allocated 80.58% and 19.42% to CL&P and UI, respectively.
No Impairment by Department of Public Utility Control	The Act provides that the Financing Order and the CTA are irrevocable and that the DPUC may not (i) revalue or revise for ratemaking purposes the costs of providing, recovering, financing or refinancing the amounts of disbursements to the General Fund from Bond proceeds substituted for such disbursements from the respective Funds established for the Programs, (ii) determine that the CTA is unjust or unreasonable, or (iii) in any way reduce or impair the value of the Transition Property or revenues arising from its collection either directly or indirectly by taking the CTA into account when setting other electric company rates.

State Covenant..... The State has pledged and agreed with the Bondholders that it will not limit or alter the CTA (which includes the State RRB Charge as adjusted from time to time in accordance with the Financing Order), the Transition Property, the Financing Order, or the Revenues until the Bonds are fully paid or provided for. The State's pledge is set forth in the Act, which provides:

> . . . the State of Connecticut does hereby pledge and agree, with the owners of transition property and holders of rate reduction bonds that the state shall neither limit nor alter 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, provided nothing contained in this subsection shall preclude the limitation or alteration if and when adequate provision shall be made by law for the protection of the owners and holders. The finance authority as agent for the state is authorized to include this pledge and undertaking for the state in these obligations.

Under existing Connecticut law, citizens do not have the ability by means of referendum to approve or reject directly laws adopted by the Connecticut legislature. In addition, under existing Connecticut law, citizens do not have the ability to propose laws for approval or rejection by the voters by means of initiative petitions.

Servicing..... The Servicers, on behalf of the State, will manage, service and administer, and bill and collect payments arising from, the Transition Property according to the terms of each Servicing Agreement between the Servicer and the State. The Servicers' duties will include collecting and remitting the State RRB Charge, responding to inquiries of customers and the DPUC regarding the Transition Property and the State RRB Charge, calculating electricity usage, accounting for collections, furnishing periodic reports and statements to the State, the Trustee and the Rating Agencies and periodically adjusting the State RRB Charge.

Legality for Investment ..... Under existing State law, the Bonds are legal investments for the State and for municipalities, regional school districts, fire districts, and any municipal corporation or authority authorized to issue bonds, notes or other obligations, State chartered or organized insurance companies, bank and trust companies, savings banks, savings and loan associations and credit unions, as well as executors, administrators, trustees and certain other fiduciaries. Subject to any contrary provisions in any agreement with noteholders or bondholders or other contract, the Bonds also are legal investments for virtually all public authorities in the State.

The Bonds may be accepted by the Comptroller as a substitution for amounts paid as retainage under any State contract or subcontract.

Interest and Principal..... Interest on the Bonds will accrue from their dated date at the rates set forth on the cover page hereof and will be payable semiannually on June 30 and December 30 of each year, commencing December 30, 2004. The record date for payment of interest is the fifteenth day of June or December preceding the interest payment date.

Principal will be due semiannually as shown on the cover page of this Offering Circular.

No Optional Redemption.....	The Bonds are not subject to redemption prior to maturity.
Form and Denomination.....	The Bonds will be issued as fully registered securities registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). The Bonds will be denominated in principal amounts of $5,000 and integral multiples thereof.
Indenture.....	The Indenture provides for the issuance of the Bonds pursuant to the Act, including the State's pledge to the Trustee of the Revenues, Accounts and statutory and contractual covenants contained therein. The Trustee is authorized to enforce the Indenture and such covenants against the State. See **Appendix A—The Indenture**.
Servicing Agreements.....	The Servicing Agreements, between the State and CL&P and UI, respectively, provide for the servicing of the Transition Property and the collection of the State RRB Charge and include covenants of the Servicers described herein. See **Servicing**.
Collection Account.....	All Revenues received by the State or the Trustee shall be promptly deposited into the Collection Account.
Bond Account.....	The Bond Account is held by the Trustee in accordance with the Indenture. The Trustee shall deposit amounts from the Collection Account into the Bond Account for the payment of principal and interest due on the Bonds.
Reserve Account.....	At the issuance of the Bonds, the State will fund, from the proceeds of the Bonds, a reserve account (the "Reserve Account") in an amount equal to $20,534,500 (the "Reserve Requirement"). The State RRB Charge will be sufficient to recover, among other things, the amount necessary to replenish the Reserve Account to the Reserve Requirement. The Reserve Account is expected to be drawn upon to pay Debt Service and replenished from time to time, and will be applied to the last installments of principal and interest in inverse chronological order.
Application of Revenues	All Revenues in the Collection Account shall be applied upon receipt by the Trustee in the following order of priority: On any Business Day upon which the Trustee receives a written request from the State stating that any Operating Expenses will become due prior to the next succeeding Payment Date, and setting forth the amount and nature of such Operating Expenses, as well as any supporting document that the Trustee may reasonably request, the Trustee will make payment of such Operating Expenses from the Collection Account, subject to the Operating Cap, as defined in the Indenture. (a) On each Allocation Date, the Trustee shall *first* set aside those funds necessary to meet those obligations set forth under clauses (b)(1), (b)(2) and (b)(3) below, and *then* shall withdraw any remaining amounts on deposit in the Collection Account and net earnings thereon and transfer such amount in the following order of priority:

(1) to the Bond Account, an amount sufficient to cause the amount therein to equal Debt Service due during the current Semiannual Period; and

(2) to replenish the Reserve Account to the Reserve Requirement.

(b) On each Payment Date, or for any amount payable under clauses (b)(1) through (b)(3), on any Business Day, the Trustee shall apply all amounts on deposit in the Collection Account, including all net earnings thereon, to pay the following amounts, in accordance with the State's instructions, in the following order of priority:

(1) to the Trustee, to pay Trustee fees and expenses;

(2) to each Servicer so long as there is no Servicer Default, the fees and expenses currently due under its Servicing Agreement;

(3) all other Operating Expenses to the persons entitled thereto, provided that the amount of such other Operating Expenses paid by the Trustee from, but not including the previous Payment Date to, and including, the current Payment Date, shall not in the aggregate exceed the Operating Cap less amounts paid or to be paid by the Trustee under (b)(1); and

(4) all other Operating Expenses not otherwise covered under (b)(1) through (b)(3).

(c) On each Payment Date, the Trustee shall apply amounts in the Bond Account and the Reserve Account in the following order of priority;

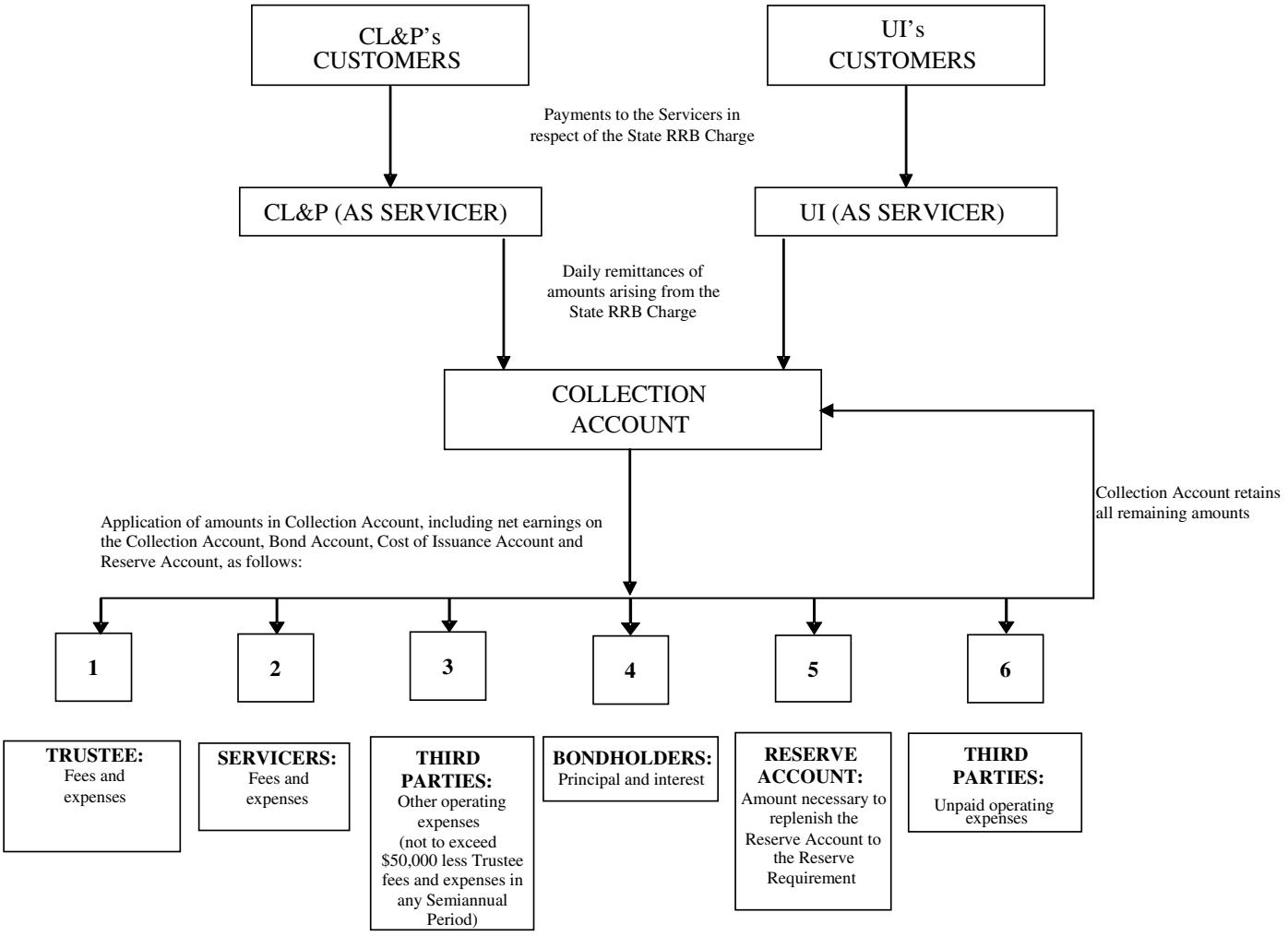
(1) from the Bond Account, to pay Debt Service currently due; and

(2) to the extent such amounts in the Bond Account are insufficient to meet the Debt Service payments currently due, the balance shall be paid from the Reserve Account.

The Reserve Requirement is $20,534,500, but not to exceed the amount permitted by the Code (hereinafter defined), the least of: 10% of the original principal amount, 125% of the average annual debt service requirement or the maximum annual debt service requirement. The Reserve Account is expected to be drawn upon to pay Debt Service and replenished from time to time.

The following diagram provides a general summary of the flow of funds from the customers through the Servicers to the Collection Account, and the various allocations from the Collection Account:

Allocations and Payments From the Collection Account



Defeasance.....	Under the Indenture, the State will have the ability to defease covenants in the Bonds by depositing Defeasance Collateral with a trustee to provide for payment of principal and interest thereon.
Tax Exemption	In the opinion of Pullman & Comley, LLC, Bond Counsel to the State, rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the alternative minimum tax, such interest is taken into account in computing the alternative minimum tax, as described under Tax Exemption; and interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See **Tax Exemption** and **Appendix C—Form of Bond Counsel Opinion**.
Ratings.....	The Bonds are expected to be rated "AAA" by Standard & Poor's Ratings Services ("Standard & Poor's"), "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings ("Fitch") (each a "Rating Agency" and, collectively, the "Rating Agencies"). See **Ratings**.

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$205,345,000
STATE OF CONNECTICUT
SPECIAL OBLIGATION RATE REDUCTION BONDS
(2004 SERIES A)

THE BONDS

Description of the Bonds

The State of Connecticut is issuing $205,345,000 Special Obligation Rate Reduction Bonds (2004 Series A).

The Bonds will be dated the date of delivery, expected to be June 23, 2004, and will bear interest payable on December 30, 2004, and semiannually thereafter on June 30 and December 30 in each year, until maturity, at the rates indicated on the cover page of this Offering Circular.

The Bonds will be special obligations of the State secured by and payable solely from the collateral described herein. Neither the full faith and credit nor the taxing power of the State will be pledged for the payment of the principal of and interest on the Bonds. The Bonds will be issued pursuant to Connecticut General Statutes §§ 16-245e through 16-245k, 16-245m and 16-245n, as amended; a financing order dated October 28, 2003, of the Connecticut Department of Public Utility Control; and an Indenture dated June 23, 2004, between the State and Wachovia Bank, National Association, as trustee. The collateral will be serviced pursuant to servicing agreements dated June 23, 2004, with CL&P and UI, as servicers. See **Nature of Obligation and Security**.

Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The record date is the fifteenth day of June and December in each year. The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of $5,000 or any integral multiple thereof. Principal of and interest on the Bonds will be paid directly to The Depository Trust Company ("DTC") so long as DTC or its nominee, Cede & Co., is the Bondowner. See **Book-Entry-Only System**.

Terms defined in the Act or the Indenture are used herein as so defined. See **Appendix A – The Indenture – Definitions**.

Purpose of Issue

The Bonds are being issued to sustain for two years the funding of energy conservation and load management and renewable energy investment programs by providing money to the State's General Fund.

Nature of Obligation and Security

The Bonds will be secured by and payable solely from the collateral pledged by the State to the Trustee under the Indenture pursuant to the Act, including (as described below) the Transition Property, the State RRB Charge and the Accounts (other than the Rebate Account) to be held by the Trustee.

The Act authorizes, among other things, the DPUC's creation, through the Financing Order, of an irrevocable property right in a non-bypassable charge that will be calculated, billed and collected separately by each Company as a component of its respective competitive transition assessment in an aggregate amount sufficient to recover the principal, interest, credit enhancement and fees and expenses associated with the Bonds. The Act provides that the Transition Property authorized to sustain funding of the Programs shall, immediately upon its creation, vest solely in the "financing entity" authorized by the State, acting through the Office of the State Treasurer (the "Finance Authority"), to issue the Bonds. The Act also provides that each Company has, and shall have, no right, title or interest in such Transition Property, and in respect of such Transition Property, shall only be a

collection agent on behalf of the State, as financing entity. Neither Transition Property nor State RRB Charge collections are property or revenue of the Companies.

The DPUC has issued the Financing Order (i) approving the issuance of the Bonds to sustain funding of the Programs pursuant to the Act; (ii) establishing the Transition Property, including the State RRB Charge; (iii) providing for the periodic adjustment of the State RRB Charge by a true-up mechanism; (iv) approving the servicing of the State RRB Charge by the Companies, as the initial Servicers for the Transition Property, or any successor servicer, under the Servicing Agreements; (v) ordering a reduction in CL&P's and UI's C&LM and Renewables charges to offset the State RRB Charge; and (vi) declaring the Financing Order irrevocable as provided in the Act.

At the time of the issuance of the Bonds, the State will fund, from the proceeds of the Bonds, a reserve account (the "Reserve Account") in an amount equal to $20,534,500 (the "Reserve Requirement").

Each Company will periodically calculate a separate State RRB Charge that, when combined with money available under the Indenture, will be sufficient to recover its allocation of (a) principal and interest due on the Bonds, (b) the costs of servicing the Bonds, including servicing fees, trustee fees, rating agency fees, legal and accounting fees and other related fees and expenses ("servicing and administrative expenses"), (c) the amount necessary to replenish the Reserve Account to the Reserve Requirement, and (d) an amount equal to 1/2 of 1% of (a), (b) and (c) (the required periodic payment of such, including deficiencies on past due required periodic payments, the "Periodic RRB Payment Requirement" and, collectively, the "Total RRB Payment Requirements"). The Act directs the DPUC to adjust the State RRB Charge periodically at the request of either CL&P or UI to ensure the timely recovery of the Periodic RRB Payment Requirement.

The State RRB Charge for each Company will be set each year or more frequently such that the Total RRB Payment Requirements for the life of the transaction will be allocated 80.58% and 19.42% to CL&P and UI, respectively (the "Specified Percentages").

Pursuant to the Act, the State RRB Charge will be a non-bypassable charge assessed against each customer, beginning on the date of issuance of the Bonds, and applied equally to each Company's retail customers of the same class in accordance with methods of allocation of the C&LM and Renewables charges. Subject to DPUC approval, the State RRB Charge may in the future include a pro rata component of any "exit fee" collected from any retail customer pursuant to the restructuring statute. The State RRB Charge is expected to be imposed, adjusted and collected so that the principal of and interest on the Bonds are paid when due. However, pursuant to the Act, in the event that the Bonds have not been fully repaid prior to their final maturity, the State RRB Charge shall continue to be billed and collected until the principal and interest and all costs associated with the Bonds have been fully repaid.

Pursuant to the Act, the State pledges and agrees with holders of the Bonds that the State shall neither limit nor alter the State RRB Charge, the Transition Property, the Financing Order and all rights thereunder until the Bonds, together with interest thereon, are fully met and discharged, unless adequate provision is made for the protection of the Bondholders.

Each Bond when duly issued and paid for will constitute a contract between the State and the owner thereof. The doctrine of governmental immunity (the right of a state not to be sued without its consent) applies to the State but legislation gives jurisdiction to the Connecticut courts to enter judgment against the State founded upon any express contract between the State and the purchasers and subsequent owners and transferees of bonds and notes issued by the State, including the Bonds, reserving to the State all legal defenses except governmental immunity.

Neither the full faith and credit nor the taxing power of the State is pledged to the payment of principal of, or interest on, the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation thereto or to make any appropriation for their payment.

Accounts Under the Indenture

A Collection Account is established to be held in trust by the Trustee. Unless otherwise specified in the Indenture, the Trustee and the State will deposit all Revenues in the Collection Account.

On any Business Day upon which the Trustee receives a written request from the State stating that any Operating Expenses will become due prior to the next succeeding Payment Date, and setting forth the amount and nature of such Operating Expenses, as well as any supporting document that the Trustee may reasonably request, the Trustee will make payment of such Operating Expenses from the Collection Account, subject to the Operating Cap, as defined in the Indenture. The fees and expenses under the Servicing Agreements are not subject to the Operating Cap.

A Bond Account is established with the Trustee to be held in trust and, except as otherwise provided, applied solely to the payment of Debt Service. If at any time the amount held in the Bond Account exceeds Debt Service payable on the current Payment Date (except as provided with respect to the final payments), the Trustee shall transfer such excess to the Collection Account. Any and all income earned on investments in the Bond Account shall be deposited into the Collection Account. The Trustee shall pay, or transfer money from the Bond Account to a Paying Agent in time for such Paying Agent to pay, Debt Service when due in same-day funds.

A Reserve Account, in the aggregate amount of the Reserve Requirement, is established to be held in trust and, except as otherwise specified, applied by the Trustee to pay Debt Service. Any and all income earned on investments in the Reserve Account shall be deposited into the Collection Account (unless required to be applied to the Rebate Account).

A Rebate Account is established to pay rebate amounts to the United States Treasury at such times as may be set forth in the Tax Compliance Agreement or determined by the Code to be so rebated. Amounts credited to the Rebate Account shall be free and clear of any lien of the Indenture and shall not be a part of the Revenues. Funds shall be deposited in the Rebate Account by the Trustee and the State in accordance with the terms of the Tax Compliance Agreement and the Indenture. Any excess funds in the Rebate Account not required to be rebated shall be added to the Collection Account.

A Cost of Issuance Account is established to pay the Costs of Issuance of the Bonds. Bond proceeds will be deposited to the Cost of Issuance Account to pay the Costs of Issuance. The Trustee shall apply the funds in the Cost of Issuance Account in accordance with the written instructions of the State. Any funds remaining in the Cost of Issuance Account on June 27, 2005 shall be deposited in the Collection Account. The income earned on funds held in the Cost of Issuance Account shall be deposited in the Collection Account (unless required to be applied to the Rebate Account).

(a) On each Allocation Date, the Trustee shall ***first*** set aside those funds necessary to meet those obligations set forth under clauses (b)(1), (b)(2) and (b)(3), and *then* shall withdraw any remaining amounts on deposit in the Collection Account and net earnings thereon and transfer such amount in the following order of priority:

(1) to the Bond Account an amount sufficient to cause the amount therein to equal Debt Service due during the current Semiannual Period; and

(2) to replenish the Reserve Account to the Reserve Requirement.

(b) On each Payment Date, or for any amount payable under clauses (b)(1) through (b)(3), on any Business Day, the Trustee shall apply all amounts on deposit in the Collection Account, including all net earnings thereon, to pay the following amounts, in accordance with the State's instructions, in the following order of priority:

(1) to the Trustee, to pay Trustee fees and expenses;

(2) to each Servicer so long as there is no Servicer Default, the fees and expenses currently due under its Servicing Agreement;

(3) all other Operating Expenses to the persons entitled thereto, provided that the amount of such other Operating Expenses paid by the Trustee from, but not including the previous Payment Date to, and including, the current Payment Date, shall not in the aggregate exceed the Operating Cap less amounts paid or to be paid by the Trustee under (b)(1); and

(4) all other Operating Expenses not otherwise covered under (b)(1) through (b)(3).

(c) On each Payment Date, the Trustee shall apply amounts in the Bond Account and the Reserve Account in the following order of priority;

(1) from the Bond Account, to pay Debt Service currently due; and

(2) to the extent such amounts in the Bond Account are insufficient to meet the Debt Service payments currently due, the balance shall be paid from the Reserve Account.

The transfers and payments shall be appropriately adjusted by Officer's Certificate of the State to reflect the date of issue of Bonds, any accrued or capitalized interest, actual rates of interest, amounts needed or held in the Accounts for Debt Service, and any purchase or defeasance of Bonds, so that there will be available on each Payment Date the amount necessary to pay Debt Service.

The Reserve Requirement is $20,534,500, but not to exceed the amount permitted by the Code, the least of: 10% of the original principal amount, 125% of the average annual debt service requirement or the maximum annual debt service requirement. The Reserve Account is expected to be drawn upon to pay Debt Service and to be replenished from time to time. A portion of the earnings thereon may be drawn on from time to time and deposited to the Rebate Account.

Provided no Event of Default shall exist under the Bonds, the Trustee may transfer any remaining amounts in the Reserve Account to pay the Debt Service on the Bonds maturing on December 30, 2010 and June 30, 2011. For the December 30, 2010 Bond, the Trustee may transfer to the Bond Account the amount by which the value of the assets in the Reserve Account as of the Allocation Date immediately preceding such December 30, 2010 Payment Date, exceeds the amount necessary to defease the Bonds maturing on the final Payment Date of June 30, 2011. The balance in the Reserve Account shall be used to make the final payment on the Bonds on such final maturity date of June 30, 2011 unless other provision is made. There shall be no obligation to restore the Reserve Account for these transfers.

Sources and Uses of Funds

Sources	
Par Amount	$ 205,345,000
Original Issue Premium	12,266,195
Total Sources	$ 217,611,195
Uses	
State General Fund	$ 194,000,000
Reserve Account	20,534,500
Costs of Issuance	1,579,628
Underwriting Discount	1,497,067
Total Uses	$ 217,611,195

Representations and Warranties of the State

In the Indenture, the State will represent and warrant to, and covenant with, the Trustee and Bondholders at the delivery of the Bonds that:

(1) The laws of the State authorize the State to execute and deliver the Indenture and to pledge the Transition Property for the payment of the Bonds in the manner and to the extent set forth in the Indenture.

(2) All actions required on its part to be performed for the execution and delivery of the Indenture and to provide the security for the Bonds as set forth in the Indenture have been performed or will be taken.

(3) The Act and the Financing Order provide that the Transition Property currently exists and vests in the State. The State has pledged the Transition Property to the Trustee pursuant to the Indenture free and clear of all security interest, liens, charges and encumbrances (other than as created by the Act).

(4) The State has made all filings (including a filing with the DPUC) necessary to perfect the security interest securing the Bonds.

(5) The Financing Order is in full force and effect and has not been amended or rescinded by the DPUC.

(6) Under the Act, the Financing Order is irrevocable and the DPUC does not have authority (except for periodic adjustment to the State RRB Charge required under the Financing Order and the Act) to amend, alter or change the Financing Order after the Bonds are issued.

(7) The Act provides that the Transition Property is an existing property right which includes the right and title in and to revenues, collections, money or proceeds of or arising from the State RRB Charge (including the State RRB Charge included in special contract rates) as adjusted from time to time, and all rights to obtain adjustments to the State RRB Charge pursuant to the Financing Order.

(8) Under the Act and the Financing Order, the Transition Property has been assigned to the Trustee under the Indenture until the Trustee will have collected State RRB Charges sufficient to discharge all interest and principal due on the Bonds and to pay the administrative costs and expenses associated with the Bonds.

(9) There are no governmental approvals, authorizations, consents or filings required for the State to obtain, except those which have been previously obtained, to complete its obligations under the Indenture.

(10) The State is duly authorized to enter into the Servicing Agreements.

(11) There is no court or administrative proceeding that is pending or, to the State's knowledge, threatened asserting the invalidity of the Financing Order, the Indenture or the Bonds or seeking to prevent the consummation of the transaction as contemplated by the Indenture.

(12) The State shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the Revenues or other collateral specified in the Indenture that ranks prior to or on a parity with the lien granted by the Indenture, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted by the Indenture.

Office of the State Treasurer of the State of Connecticut

The Office of the State Treasurer was established following the adoption of the fundamental orders of Connecticut in 1638. As described in the Connecticut State Constitution, the Treasurer has the responsibility to receive all funds belonging to the State and disburse the same only as may be directed by law. The Treasurer is charged with overseeing a wide variety of activities regarding the prudent management of State funds. This includes the administration of a portfolio of pension assets currently worth approximately $20 billion and a short-term investment fund with an average daily balance of almost $4 billion. The Office of the State Treasurer is also responsible for issuing over $1 billion in State debt annually and managing an existing debt portfolio of over $13 billion. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carry out the issuance of the State's debt.

The Act contemplates State sponsorship of individual utility rate reduction bond issuances, as well as the Bonds, through the Finance Authority. The Finance Authority is the State of Connecticut, acting through the Office of the State Treasurer. The Office of the State Treasurer is responsible for the issuance of the Bonds and related matters.

ENERGY DEREGULATION AND CONNECTICUT MARKET STRUCTURE

The State RRB Charge securing the Bonds is to be collected from retail customers of electric distribution companies under a statutory mechanism that was originally created to recover certain stranded costs of investor-owned utilities. The mechanism supported the issuance of $1,438,400,000 rate reduction bonds for the benefit of CL&P in 2001 (the "2001 RRBs"), and similar bonds have been issued in other states. In 2003, the Act was amended by the State Legislature to sustain funding of the Programs and to authorize the Bonds to be issued and secured as rate reduction bonds. Information on the electric utility industry and the Companies, as Servicers, is therefore relevant to the Bonds.

The electric industry is experiencing intensifying competitive pressures in the electricity generation market. Historically, electric utilities operated as regulated monopolies in their service territories and were the primary suppliers of electricity. In Connecticut, the DPUC set electric companies' rates based upon their costs of providing services and allowing for a reasonable return on their prudent capital investments. Changes to the traditional legal and regulatory framework and market structure are occurring at both the state and federal levels.

Factors that may affect the liquidity of or security for the Bonds include State and federal legislative and regulatory actions, economic conditions in the State, and other factors that affect the business of the Servicers. The Act has not been tested in court, and, in general, the outcome of litigation is inherently unpredictable. The Bondholders are protected by the Reserve Account, periodic adjustments to the State RRB Charge, the State Covenant, and other provisions of the Act, the Financing Order, the Servicing Agreements and the Indenture. Even if timely payment is maintained, however, some of these factors, as well as the economy of the State, may affect the liquidity or market price of the Bonds.

Information about the economy of the State is available from the NRMSIRS (as defined in **Appendix B**) in the State's Official Statement dated April 28, 2004, relating to $300,000,000 State of Connecticut General Obligation Bonds (2004 Series C).

Statutory Overview

At the state level, the Connecticut electric industry has changed dramatically – and may continue to change – as a result of the enactment in July 1998 of Connecticut Public Act No. 98-28, referred to as the Restructuring Statute (which, as amended, includes the Act), and the approval in orders issued by the DPUC of various plans related to the restructuring of Connecticut electric companies. The Restructuring Statute established a comprehensive framework for the restructuring of the Connecticut electric industry. The Restructuring Statute required that on or before October 1, 1998, electric companies file plans with the DPUC to achieve the separation of their generation service function so as to allow for retail competition in electricity generation supply. Electric

utilities continue to provide transmission and distribution service as regulated electric distribution companies. See – **Restructuring Decision**.

The Restructuring Statute permits an electric company that has divested itself of its non-nuclear generation assets by January 1, 2000, to recover stranded costs through the collection of a competitive transition assessment, which is a separate usage-based charge included in the bills of all classes of retail users of the electric company's retail distribution system (subject to certain limited customer exemptions described under **The Transition Property – Competitive Transition Assessment**). Generally, stranded costs are costs that an electric company may not be able to recover through market-based rates in a competitive electricity generation market. The Restructuring Statute also permits an electric company to cause a special purpose entity authorized by the finance authority to issue rate reduction bonds, secured by the revenues arising from a portion of its CTA, if doing so will result in net savings to ratepayers.

The Restructuring Statute also contemplates that an electric company's customers will be permitted to contract with third party suppliers of electricity and that the company will continue to distribute electricity, whether generated by itself or a third party supplier, on a regulated basis. The Restructuring Statute provides that all retail customers may choose their electricity supplier as of July 1, 2000. In addition, as an alternative for customers, the Restructuring Statute required electric distribution companies to make available standard offer service from January 1, 2000 until December 31, 2003, for customers who do not choose an alternative electric supplier.

The Restructuring Statute was amended by Connecticut Public Act No. 03-135 to require electric distribution companies to make available transitional standard offer ("TSO") service from January 1, 2004 until December 31, 2006, for customers who do not choose an alternative electric supplier. On and after January 1, 2007, electric distribution companies must offer standard service to customers who do not choose an alternative electric supplier and do not use a demand meter or have a maximum demand of less than 500 kilowatts and must offer supplier of last resort service to customers that are not eligible for standard service.

In 2003, the Restructuring Statute was amended to authorize the issuance of the Bonds and the creation by the DPUC, through the Financing Order, of the Transition Property as an irrevocable property right in the non-bypassable State RRB Charge to be collected by each Company as a component of its CTA in an aggregate amount sufficient to recover the principal, interest, credit enhancement and fees and expenses associated with the Bonds. The Transition Property authorized to sustain funding of the Programs shall, immediately upon its creation, vest solely in the State, which as the "financing entity" is authorized, acting through the Office of the State Treasurer, to issue the Bonds. Each Company, in respect of the Transition Property, shall only be a collection agent on behalf of the State. Neither Transition Property nor State RRB Charge collections are property or revenue of the Companies.

Restructuring Decision

In decisions relating to the restructuring of the Companies, the DPUC approved the components of CL&P's and UI's standard offer rates, including the CTA, approved stranded costs eligible for recovery through the collection of the CTA and approved certain of CL&P's stranded costs to be securitized through the issuance of rate reduction bonds. In 2003, the DPUC approved the components of CL&P's and UI's TSO rates, again including the CTA, and the procurement by each of the Companies of the energy supply to meet the Companies' obligations to provide TSO service. These decisions are known, collectively, as the Restructuring Decision.

Exit Fees

The State RRB Charge is non-bypassable, meaning that retail customers of the electric distribution companies must pay it whether or not they purchase energy from CL&P, UI or a third party supplier of energy, and whether or not their distribution system is being operated by CL&P, UI or a successor distribution company. Customers may, however, reduce their electricity usage through the use of self-generation equipment or conservation, and, as a result, revenues generated by the State RRB Charge may decrease. The Restructuring Statute provides that a customer that reduces or eliminates its purchases of electricity through the operation of self-generation equipment may be required to pay an exit fee. A customer will not have to pay an exit fee, however, if such customer has installed a self-generation facility that:

- exclusively services the load of one to four residential units; or

- is installed in conjunction with the expansion of an industrial plant that began operation before July 1, 1998, if the self-generation facility predominantly services the industrial plant and the expansion of the industrial plant results in economic development, as determined by the DPUC. This exemption only applies to the exit fee payable with respect to the increased usage of electricity to service the expansion.

In addition, the Restructuring Statute provides that the DPUC will develop criteria for further exemptions from exit fees based on unit size or specialized use, balancing concerns of the potential impact on small businesses, equity among customer classes, and the need to offset losses to, among other rate components, the CTA. No exit fee may be imposed unless authorized by the DPUC. To date, the DPUC has not authorized the imposition of any exit fee.

No Third Party Billing of State RRB Charge

The Restructuring Statute authorizes and directs the Connecticut Energy Advisory Board, in consultation with the DPUC, to conduct a study of the provision of metering, billing and collection services by electric distribution companies, and consider whether customers would be better served if such services were performed by electric suppliers. In the Financing Order, the DPUC states that it will not authorize a third party supplier to bill and collect the State RRB Charge as long as the Bonds are outstanding.

Public Act 04-86 authorizes the DPUC to adopt regulations by January 1, 2005, to allow an electric supplier to provide direct billing and collection for electric generation services and related federally mandated congestion costs for customers that use a demand meter or have a maximum demand of not less than 500 kilowatts, and that choose to receive a bill directly from the supplier. The legislation does not authorize direct billing of the CTA by a supplier.

Federal Initiatives

Federal legislation may also significantly alter the national market for electricity. For example, at the federal level, the National Energy Policy Act of 1992 was designed to increase competition in the wholesale electric generation market by easing regulatory restrictions on producers of wholesale power and by authorizing the Federal Energy Regulatory Commission to mandate access to electric transmission systems by wholesale power generators. Federal energy legislation is constantly pending.

Possible federal preemption of the Restructuring Statute could affect the security for rate reduction bonds, particularly those issued to finance the stranded costs of investor-owned utilities. The State believes the federal government is unlikely to attempt to impair the security for bonds, such as the Bonds, issued by states for governmental purposes. Although the State Covenant and the Contract Clause of the United States Constitution are not binding on the federal government, other constitutional principles limit federal interference with the State's finances.

THE TRANSITION PROPERTY

Financing Order and Issuance Advice Letter

The Act authorized the DPUC to issue the Financing Order, which is a regulatory order that approves sustaining funding of the Programs by substituting disbursements to the General Fund from proceeds of the Bonds for such disbursements from funds for the Programs. On September 15, 2003, the Companies filed applications for a financing order with the DPUC. The DPUC issued the Financing Order dated October 28, 2003, which authorizes the issuance of the Bonds. In accordance with the Act, the Financing Order became effective and irrevocable on November 21, 2003, upon the filing with the DPUC by each Company of a consent to all terms and conditions of the Financing Order.

The Financing Order establishes, among other things, the State RRB Charge to recover the costs of sustaining the Programs specified in the Financing Order. The State RRB Charge is non-bypassable in that customers of the electric distribution companies must pay it whether or not they purchase energy from CL&P, UI or a third party supplier of energy, and whether or not their distribution system is being operated by CL&P, UI or a successor distribution company. The Act provides that the right to collect payments based on the State RRB Charge is a property right which may be pledged, assigned or sold in connection with the issuance of the Bonds. Under the Act and the Financing Order, the owner of the Transition Property is entitled to assess the State RRB Charge until it has received payments from customers sufficient to retire all Outstanding Bonds and to pay fees and expenses of servicing and retiring the Bonds. The State RRB Charge, as adjusted from time to time, is a portion of the CTA and will be expressed as an amount per kilowatt-hour of electricity usage by a customer. The State RRB Charge will not be separately identified on customer bills, although customer bills will note that a portion of the CTA is owned by the State.

The Financing Order requires the State to submit an issuance advice letter relating to the Bonds to the DPUC. The issuance advice letter will establish the initial State RRB Charge, which becomes effective with the issuance of the Bonds. The Financing Order permits each Servicer to file requests, referred to as true-up letters, to adjust up or down the State RRB Charge at various times to enhance the likelihood of retirement of the Bonds on a timely basis. See – **Adjustments to the State RRB Charge**.

The DPUC's approval of the Financing Order is final and non-appealable.

Transition Property

The Transition Property is a property right consisting of the right, title and interest to all revenues, collections, claims, payments, money or proceeds of or arising from the State RRB Charge. In accordance with the Financing Order, Transition Property includes an allocated portion of the rates charged to special contract customers, as described under – **Competitive Transition Assessment**. The Bonds will be secured by the Transition Property, as well as the other collateral described under **Appendix A-The Indenture – Security and Pledge**.

Competitive Transition Assessment

The State RRB Charge will initially constitute a portion of the CTA as approved by the DPUC. The initial State RRB Charge for all customer classes is 0.160 cents/kilowatt-hour for CL&P and 0.1568 cents/kilowatt-hour for UI.

Under the Act, the CTA must be determined by the DPUC in a general and equitable manner and must be imposed on all customers at a rate that is applied equally to all customers of the same class in accordance with methods of allocation that were in effect on July 1, 1998 (the effective date of the Restructuring Statute). The CTA, including the State RRB Charge, may be imposed at different rates on different customer classes. In this Offering Circular, references to the initial State RRB Charge are to the rates at which the State RRB Charge is initially imposed on all customer classes for CL&P and UI, respectively.

Under the Restructuring Statute, the DPUC has determined that the Servicers may not impose the CTA (including the State RRB Charge) on customers that are receiving service under a special contract that was in effect on July 1, 1998 (the effective date of the Restructuring Statute), and this may not cause an increase in rates charged to other customers. The Servicers will allocate a portion of the rates charged to special contract customers to the State RRB Charge. The State RRB Charge that is allocated from the rates charged to special contract customers will be adjusted in the same manner as the State RRB Charge applicable to other customers, thereby maintaining the consistent application of the State RRB Charge.

Connecticut law permits the DPUC to grant exemptions from payment of a portion of the CTA under specified circumstances. Any such exemption would also apply to the State RRB Charge, which is a component of the CTA. A customer may apply to the DPUC for an exemption if it is:

- an existing or new manufacturing plant that will add or create 100 or more jobs and will demand at least 50 kilowatts of additional load (the exemption applies to the incremental load), or

- an existing manufacturing plant is located in a distressed municipality that is in an enterprise corridor and employs not less than 200 persons (the exemption applies to the entire load).

The DPUC is required to hold a hearing on any application for an exemption. If the DPUC approves the application, the customer is exempted from the payment of the portion of the CTA, including the State RRB Charge component of the CTA, that relates to the exempted load. The DPUC is permitted under law to adopt regulations to implement the exemptions, but has not yet done so.

In the event of default by a Servicer in payment of State RRB Charges to the Trustee, the DPUC will, upon application by the Trustee, the State, or other specified parties order the sequestration and payment to or for the benefit of the State, the Trustee or such other party of revenues arising with respect to the Transition Property and other collateral.

Amounts collected from a CL&P retail customer shall be allocated on a pro rata basis among (i) the combined RRB charge billed and collected by CL&P for the Bonds and the 2001 RRBs, (ii) any remaining portion of the CTA not the subject of a Financing Order, and (iii) CL&P's other charges. Such amounts so allocated to the combined CL&P RRB charge shall in turn be allocated pro rata to the RRB charge for the 2001 RRBs and the State RRB Charge based on the respective amounts of each such RRB charge.

Amounts collected from a UI retail customer shall be allocated on a pro rata basis among (i) the State RRB Charge, (ii) any remaining portion of the CTA not the subject of the Financing Order, and (iii) UI's other charges.

Adjustments to the State RRB Charge

For each Servicer:

"Accumulated Collection Variance Amount" means, for any Remittance Period, the sum (which may be positive or negative) of the Servicer's Collection Variance Amounts for all prior Remittance Periods up to and including the immediately prior Remittance Period.

"Average Return Rate" for any Remittance Period means an amount equal to the quotient of (A) earnings on the Accounts during such Remittance Period; divided by (B) the average balance of the Accounts during such Remittance Period.

"Collection Variance Amount" means, for any Remittance Period, an amount (which may be positive or negative) equal to the following: (A) actual amounts remitted and estimated to be remitted by the Servicer to the Collection Account during such Remittance Period; plus (B) the product of the Servicer's Specified Percentage multiplied by actual and estimated earnings on the Accounts during such Remittance Period; less (C) the product of the Servicer's Specified Percentage multiplied by the sum of (i) interest payable on the Bonds during such Remittance Period; plus (ii) the principal amount of the Bonds payable or maturing during such Remittance Period; plus (iii) Generally Allocated Operating Expenses incurred and estimated to be incurred during such Remittance

Period; less (D) Specially Allocated Operating Expenses incurred and estimated to be incurred during such Remittance Period; less (E) the product (which may be positive or negative) of (i) the other Servicer's Specified Percentage; multiplied by (ii) the Average Return Rate for the prior Remittance Period; multiplied by (iii) an amount (which may be positive or negative) equal to the Servicer's Required Collections for the prior Remittance Period less actual amounts remitted by the Servicer to the Collection Account during the prior Remittance Period; plus (F) the product (which may be positive or negative) of (i) the Servicer's Specified Percentage; multiplied by (ii) the Average Return Rate for the prior Remittance Period; multiplied by (iii) an amount (which may be positive or negative) equal to the other Servicer's Required Collections for the prior Remittance Period less actual amounts remitted by the other Servicer to the Collection Account during the prior Remittance Period.

"Generally Allocated Operating Expenses" means Operating Expenses that are not Specially Allocated Operating Expenses and that are allocated in accordance with the Specified Percentages.

"Rating Agency Confirmation" means, with respect to any action that each Rating Agency shall have been given ten days prior notice and, except for specifically provided in the Bond Documents, the Servicer, the State and Trustee shall be notified by the Rating Agencies in writing that such action will not result in reduction, suspension or withdrawal of the Bonds' current rating.

"Remittance" means each remittance of State RRB charges from a Servicer to the Trustee.

"Remittance Period" means the period beginning on the Closing Date and ending on December 31, 2004 and thereafter beginning on January 1 of each year and ending on December 31 of each year.

"Required Collections" means, for any Remittance Period, an amount equal to the following: (A) the product of the Servicer's Specified Percentage multiplied by the sum of (i) interest payable on the Bonds during such Remittance Period; plus (ii) the principal amount of the Bonds payable or maturing during such Remittance Period; plus (iii) Generally Allocated Operating Expenses estimated to be incurred during such Remittance Period; plus (B) Specially Allocated Operating Expenses estimated to be incurred during such Remittance Period; plus (C) if the Servicer's Accumulated Collection Variance Amount for such Remittance Period is negative, the absolute value thereof; plus (D) the product of .005 multiplied by the sum of (A) and (B) and (C) above; less (E) the Servicer's Accumulated Collection Variance Amount for such Remittance Period, if positive.

"Specially Allocated Operating Expenses" means the fees and costs of the Servicer which are reimbursable hereunder, plus any costs or expenses incurred by the Issuer or the Trustee in enforcing the Servicer's obligations hereunder.

"Trigger Amount" means $17,446,700.

Initially and during the life of the Bonds, at least annually (or quarterly if the Servicer reasonably determines that it is necessary), each Servicer will calculate and set the State RRB Charge at a level estimated to generate revenues sufficient to pay the fees and expenses related to servicing and retiring the Bonds, and to replenish the Reserve Account as required for the upcoming year. The Servicer will increase or decrease the State RRB Charge over the life of the Bonds as a result of several factors, including:

- changes in actual electricity sales and forecasts;
- changes in payment patterns and charge-off experience;
- changes in any ongoing fees and expenses related to the Bonds; and
- over-collections or under-collections of Revenues by the Servicers in prior Remittance Periods.

The Financing Order and the Servicing Agreements provide that each Servicer will file true-up letters periodically as follows:

- for the purpose of preparing a routine annual true-up letter, each Servicer shall: (A) update the assumptions underlying the calculation of the State RRB Charge to be collected by it, including energy usage and the rate of charge-offs for the Remittance Period beginning on January 1 of each year; and (B) based upon the Required Collections Certificate for such Remittance Period determine the State RRB Charge to be charged by it during such Remittance Period. Each Servicer shall file a routine annual true-up letter with the DPUC no later than 15 days prior to January 1 of each year;

- each Servicer shall file a routine true-up letter at least 15 days before the end of any calendar quarter if it shall have reasonably determined that such filing is necessary to meet its Required Collections (after recalculation to include any actual numbers that had previously been estimates and/or any updated estimates) for the then current Remittance Period. In the last year the Bonds are outstanding, each Servicer may file monthly routine true-up letters if necessary;

- if a Servicer has received notice from the Trustee that the balance in the Reserve Account (after giving effect to all withdrawals, deposits, payments, applications and transfers required to be made to or from the Reserve Account on such date) is below the Trigger Amount following any June 30 Payment Date, the Servicer shall file a routine true-up letter by July 15 of such year unless it shall have reasonably determined that such filing is unnecessary to meet its Required Collections (after recalculation to include any actual numbers that had previously been estimates and/or any updated estimates) for the then current Remittance Period;

- neither Servicer shall file in any calendar quarter more than one routine true-up letter except in the last year the Bonds are outstanding when monthly routine-true-up letters may be filed; and

- whenever either Servicer determines that the existing model for calculating the State RRB Charge should be amended or revised, subject to the consent of the State and the receipt of the Rating Agency Confirmation (except that with respect to Fitch or Moody's it shall be sufficient to provide ten days' prior notice), the Servicer shall file a non-routine true-up letter with the DPUC designating the adjustments to such model and any corresponding adjustments to the State RRB Charge, subject to the review and approval of the DPUC within 60 days after filing.

Adjustments to the State RRB Charge will be performed on a system-wide basis (i.e., across customer classes rather than on a class-by-class basis) in accordance with the Act.

If, as a result of a true-up calculation, the RRB charge (including, for CL&P, the RRB charge for the 2001 RRBs) would be increased above the CTA then in effect, the CTA will, on the effective date of the RRB charge adjustment, be increased to the amount of the RRB charge, as so adjusted. The C&LM and Renewables charges shall be reduced on such effective date by a pro rata amount that shall offset the required CTA increase, so that there will be no change to the customers' bills. In the event that offsets from a reduction in the C&LM and Renewables charges are not sufficient to prevent the CTA increase from increasing the Companies' total TSO rate above the rate cap established by Public Act 03-135, the DPUC shall first reduce the components of the CTA that do not relate to the Bonds (and in the case of CL&P the 2001 RRBs) so that the TSO rate shall not exceed that level, and next, as necessary, defer for future recovery any revenue requirements not collected as a result of any such reduction.

On or before November 15 of each year, CL&P will calculate CL&P's Required Collections and UI's Required Collections for the next Remittance Period, and provide to UI, the State, the Trustee and the Rating Agencies a certificate showing such calculation (the "Required Collections Certificate"). In preparing the Required Collections Certificate, CL&P may rely (a) upon the Trustee in determining the principal and interest payable on the Bonds during the Remittance Period, the balances on deposit in and any earnings on any fund or account under the Indenture, the Average Return Rate, the amount of Remittances made by UI prior to the date of any calculation, and the amount of the fees and expenses of the Trustee or Operating Expenses paid, payable or estimated to be payable during the Remittance Period from the Accounts, (b) upon UI for an estimate of the Remittances based upon the State RRB Charge expected to be collected by UI during the Remittance Period, and (c) upon the State for the

Operating Expenses payable, or estimated to be payable, by the State during the Remittance Period, in all cases without any independent investigation of such amounts (except for the amount of any Specially Allocated Operating Expenses payable to CL&P, which CL&P will estimate). If at any time CL&P shall determine that a periodic adjustment is required under its Servicing Agreement, or if UI makes such determination under UI's Servicing Agreement and so notifies CL&P, CL&P will promptly, and in any event within 10 Business Days of the receipt of such notification from UI, recalculate CL&P's Required Collections or UI's Required Collections, as the case may be, for the current Remittance Period or the next succeeding Remittance Period, as required by CL&P or requested by UI, and provide a copy of such calculations to UI, the State, the Trustee and the Rating Agencies.

No Impairment by Department of Public Utility Control

The Act provides that the Financing Order and the CTA are irrevocable and that the DPUC may not revalue or revise for ratemaking purposes the costs of providing, recovering, financing or refinancing the amounts of disbursements to the General Fund from bond proceeds substituted for such disbursements from the respective Funds established for the Programs, determine that the CTA is unjust or unreasonable, or in any way reduce or impair the value of the Transition Property or revenues arising from its collection either directly or indirectly by taking the CTA into account when setting other electric company rates.

State Covenant

The State has pledged and agreed with the Bondholders that it will not limit or alter the CTA (which includes the State RRB Charge as adjusted from time to time in accordance with the Financing Order), the Transition Property or the Financing Order until the Bonds are fully paid or provided for. The State's pledge is set forth in the Act, which provides:

> . . . the State of Connecticut does hereby pledge and agree, with the owners of transition property and holders of rate reduction bonds that the state shall neither limit nor alter 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, provided nothing contained in this subsection shall preclude the limitation or alteration if and when adequate provision shall be made by law for the protection of the owners and holders. The finance authority as agent for the state is authorized to include this pledge and undertaking for the state in these obligations.

Under existing Connecticut law, citizens do not have the ability by means of referendum to approve or reject directly laws adopted by the Connecticut legislature. In addition, under existing Connecticut law, citizens do not have the ability to propose laws for approval or rejection by the voters by means of initiative petitions.

SERVICING

Servicing Procedures

The Servicers, on behalf of the State, will manage, service and administer, and bill and collect payments arising from, the Transition Property according to the terms of each Servicing Agreement between the Servicer and the State. The Servicers' duties will include collecting and remitting the State RRB Charge, responding to inquiries of customers and the DPUC regarding the Transition Property and the State RRB Charge, calculating electricity usage, accounting for collections, furnishing periodic reports and statements to the State, the Trustee and the Rating Agencies and periodically adjusting the State RRB Charge.

Servicing Standards and Covenants

The Servicing Agreement will require each Servicer, in servicing and administering the Transition Property, to employ or cause to be employed procedures and exercise or cause to be exercised the same care it customarily employs and exercises in servicing and administering bill collections for its own account and for others.

Consistent with the foregoing, each Servicer may in its own discretion waive any late payment charge or any other fee or charge relating to delinquent payments, if any, and may waive, vary or modify any terms of payment of any amounts payable by a customer, in each case, if the waiver or action:

- would comply with the Servicer's customary practices or those of any successor Servicer for comparable assets that it services for itself and for others;
- would not materially adversely affect the Bondholders; and
- would comply in all material respects with applicable law.

In addition, each Servicer may write off any amounts that it deems uncollectible according to its customary practices.

In the Servicing Agreements, each Servicer will covenant that, in servicing the Transition Property it will:

- manage, service, administer and make collections of payments arising from the Transition Property with reasonable care and in compliance with applicable law, including all applicable guidelines of the DPUC, using the same degree of care and diligence that the Servicer exercises for bill collections for its own account and, if applicable, for others;
- follow customary standards, policies and procedures for the industry in performing its duties as Servicer;
- use all reasonable efforts, consistent with its customary servicing procedures, to bill and collect the State RRB Charge;
- comply in all material respects with laws applicable to and binding on it relating to the Transition Property;
- submit annually a true-up letter to the DPUC seeking an adjustment, if any, of the State RRB Charge; and
- submit non-routine and quarterly and monthly routine true-up letters to the extent described above under **The Transition Property-Adjustments to the State RRB Charge**.

Remittances to Trustee

Starting with collections that are received on the first Business Day that is at least 45 days after the first day on which it imposes the State RRB Charge, each Servicer will remit to the Trustee as frequently as required by the Rating Agencies and in all events within one calendar month after collection, the amount of the State RRB Charge collected, calculated based on the following remittance methodology:

- Gross customer collections received will be deposited and posted to the Servicer's accounts receivable system.
- The amount deposited will be adjusted by deducting an amount for sales taxes and dishonored checks and by adding an amount for write-off recoveries to determine net collections for each of the Servicer's customer classes.
- Net collections for each customer class will be multiplied by the applicable RRB percentage (determined as described below) for such customer class to determine the amount of the State RRB Charge collected for that customer class.
- The total of the State RRB Charges collected for all customer classes will be remitted to the Trustee.

For net collections received on any day that occurs before two full billing months have elapsed since the first day on which the Servicer imposed the State RRB Charge, the applicable percentage for a customer class is determined by dividing the initial State RRB Charge (cents per kilowatt-hour) for such customer class by the total rate (cents per kilowatt-hour) in effect for such customer class on the first day on which the Servicer imposed the State RRB Charge. For net collections received on any day that occurs after two full billing months have elapsed since the first day on which the Servicer imposed the State RRB Charge, the applicable percentage for a customer class is determined by dividing the aggregate amount of all State RRB Charges billed by the Servicer to all customers in such customer class by the aggregate of all amounts billed by the Servicer to all customers in such customer class, in each case during the second preceding billing month.

Servicing Compensation

Each of the Companies will be entitled to receive an annual servicing fee of $150,000. The servicing fee payable to any successor Servicer shall be an annual amount not exceeding without Rating Agency Confirmation 0.625% of the initial principal balance of the Bonds.

The Trustee will pay the servicing fee in semiannual installments in arrears (together with any portion of the servicing fee that remains unpaid from prior payment dates) to the extent of available funds in the Collection Account prior to the payment of any principal of and interest on the Bonds. See **The Bonds — Accounts Under the Indenture**.

Servicer Representations and Warranties

In the Servicing Agreements, each Servicer will represent and warrant to the State, as of the delivery of the Bonds, among other things, that:

- the Servicer is a corporation duly organized, validly existing and in good standing under the laws of the State, with corporate power and authority to own its properties as owned by it on the delivery date and to conduct its business as its business is conducted by it on the delivery date and to execute, deliver and carry out the terms of its Servicing Agreement;

- the execution, delivery and carrying out of the terms of the Servicing Agreement have been duly authorized by all necessary corporate action on the part of the Servicer;

- the Servicing Agreement constitutes a legal, valid and binding obligation of the Servicer, enforceable against it in accordance with its terms, subject to insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity, regardless of whether considered in a proceeding in equity or at law;

- the consummation of the transactions contemplated by the Servicing Agreement does not conflict with the Servicer's articles of organization or by-laws or any material agreement to which the Servicer is a party or bound, result in the creation or imposition of any lien on the Servicer's properties pursuant to a material agreement or violate any existing law or any existing order, rule or regulation applicable to the Servicer so as to adversely affect the Servicer or the Bondholders;

- the Servicer has all material licenses necessary for it to perform its obligations under the Servicing Agreement (except where failure to obtain such licenses would not be reasonably likely to adversely affect the servicing of the Transition Property);

- no governmental approvals, authorizations or filings are required for the Servicer to execute, deliver and perform its obligations under the Servicing Agreement except those which have previously been obtained or made and those that the Servicer is required to make in the future under the Servicing Agreement or pursuant to applicable law; and

- no court or administrative proceeding is pending and, to the Servicer's knowledge, no court or administrative proceeding is threatened and, to the Servicer's knowledge, no investigation is pending or threatened, asserting the invalidity of, or seeking to prevent the consummation of the transactions contemplated by, the Servicing Agreement or seeking a determination that might materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, the Servicing Agreements.

In the event of willful misconduct or negligence by the Servicer under the Servicing Agreement or in the event of the Servicer's breach in any material respect of any of the representations and warranties in the preceding paragraph, the Servicer will indemnify, defend and hold harmless the State and the Bondholders against any costs, expenses, losses, claims, damages and liabilities incurred as a result of these events. The Bondholders, however, may only enforce their rights against the Servicer through an action brought by the Trustee. The Servicer will not be liable for any costs, expenses, losses, claims, damages or liabilities resulting from the willful misconduct or gross negligence of the indemnified persons. The Servicer also will not be liable for any costs, expenses, losses, claims, damages or liabilities, regardless of when incurred, after the Bonds have been discharged in full.

Each Servicer will indemnify, defend and hold harmless the Trustee, the State acting through the Office of the State Treasurer, agencies of the State and any of their respective affiliates, officials, officers, directors, employees, consultants, counsel and agents against any costs, expenses, losses, claims, damages and liabilities incurred as a result of the willful misconduct or gross negligence of the Servicer under the Servicing Agreement or the Servicer's breach in any material respect of any of the representations and warranties above. The Servicer will not be liable for any costs, expenses, losses, claims, damages or liabilities resulting from the willful misconduct or gross negligence of the indemnified person or resulting from a breach of a representation or warranty made by an indemnified person in the transaction documents that gives rise to the Servicer's breach.

Evidence as to Compliance

Each Servicer, at its expense, shall cause a firm of independent certified public accountants which is reasonably satisfactory to the State (and which may provide other services to the Servicer) to prepare, and the Servicer shall deliver to the State, the Trustee, and the Rating Agencies, a report addressed to the Servicer (the "Annual Accountant's Report") for the information and use of the State, the Trustee, and the Rating Agencies, on or before March 31 each year, beginning March 31, 2005, to the effect that such firm has performed an examination of certain assertions made by management of the Servicer with respect to the Servicer's compliance with its Servicing Agreement for the 12-month (or shorter initial) period ended the previous December 31. The report will also indicate that the accounting firm providing the report is independent of the Servicer within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants (or other similar standards applicable to Certified Public Accountants).

The Servicing Agreements will also provide for delivery to the State, the Trustee and the Rating Agencies, on or before March 31 of each year, beginning March 31, 2005, of a certificate signed by an officer of the Servicer stating that the Servicer has fulfilled its obligations under the Servicing Agreement throughout the preceding twelve months ended December 31 (or preceding period since the closing date of the issuance of the Bonds in the case of the first certificate) or, if there has been a default in the fulfillment of any material obligation under the Servicing Agreement, describing each such material default. Each Servicer has agreed to give the State and the Trustee notice of Servicer defaults under its Servicing Agreement.

Matters Regarding the Servicers

The Servicing Agreements will provide that CL&P or UI may not resign from its obligations and duties as Servicer under its Servicing Agreement, except when either:

- CL&P or UI determines that performance of its duties is no longer permissible under applicable law; or

- CL&P or UI receives Rating Agency Confirmation with respect to its resignation and consent of the DPUC.

No resignation by CL&P or UI as Servicer will become effective until a successor Servicer has assumed its servicing obligations and duties under the Servicing Agreement.

The Servicing Agreements will further provide that neither the Servicer nor any of its directors, officers, employees, or agents will be liable to the State or any other person or entity, except as provided under the Servicing Agreement, for taking any action or for refraining from taking any action under the Servicing Agreement or for errors in judgment. The Servicing Agreement will not protect the Servicer or any of its directors, officers, employees or agents against any liability that would otherwise be imposed by reason of their willful misconduct or negligence in the performance of duties. In addition, each Servicing Agreement will provide that the Servicer is under no obligation to appear in, prosecute, or defend any legal action, except as provided in the Servicing Agreement at the State's expense.

Under the circumstances specified in each Servicing Agreement, any entity into which the Servicer may be merged or consolidated, or any entity resulting from any merger or consolidation to which the Servicer is a party, or any entity succeeding to the business of the Servicer or its obligations as Servicer, will be the Servicer under the Servicing Agreement. In each such case, the successor must expressly assume the obligations of the Servicer under the Servicing Agreement. Other than in these cases and in the case of a Servicer resignation as described above, the Servicing Agreement may not be assigned by the Servicer.

The Servicer shall not be required to make any advances of interest or principal on the Bonds.

Servicer Defaults

Servicer defaults under each Servicing Agreement will include, among other things:

- any failure by the Servicer to remit payments arising from the State RRB Charge to the Trustee as required under the Servicing Agreement, if such failure continues unremedied for 5 business days after written notice from the State or the Trustee is received by the Servicer;

- any failure by the Servicer duly to observe or perform in any material respect any other covenant or agreement in the Servicing Agreement, if such failure materially and adversely affects the rights of Bondholders and continues unremedied for 60 days after the giving of notice of such failure (a) to the Servicer by the State or (b) to the Servicer by the Trustee or by holders of Bonds evidencing not less than 25 percent in principal amount of the Outstanding Bonds;

- the inaccuracy in any material respect when made of any representation or warranty made by the Servicer in the Servicing Agreement, if such inaccuracy has a material adverse effect on the Bondholders and such material adverse effect continues unremedied for a period of 60 days after the giving of notice to the Servicer by the State or the Trustee; and

- events of bankruptcy, insolvency, receivership or liquidation of the Servicer.

Rights When Servicer Defaults

If a Servicer default remains unremedied, either the Trustee or holders of Bonds evidencing not less than 25% of Outstanding Bonds may terminate all the rights and obligations of a Servicer (other than the Servicer's indemnity obligations) under the Servicing Agreement. A successor Servicer appointed by the State, subject to the approval of the DPUC, and with the Trustee's consent, will succeed to all the responsibilities, duties and liabilities of the Servicer under the Servicing Agreement upon its assuming in writing the obligations of the Servicer thereunder. If the State has not obtained a successor Servicer within 30 days after a termination notice has been delivered to the defaulting Servicer, the Trustee may appoint, or petition a court of competent jurisdiction for the appointment of, a successor Servicer. In order to qualify as a successor Servicer, such entity must be permitted to perform the duties of a Servicer under the DPUC regulations, the Rating Agencies must provide Rating Confirmation and the successor Servicer must assume in writing the obligations of the Servicer under the Servicing Agreement or enter into a substantially similar Servicing Agreement with the State. The Trustee may make arrangements for compensation to be paid to the successor Servicer.

In addition, when the Servicer defaults, each of the following will be entitled to apply to the DPUC for sequestration and payment of revenues arising from the Transition Property:

- the Bondholders (subject to the provisions of the Indenture) and the Trustee as beneficiary of the statutory lien created by the Act;
- the State or its assignees; and
- pledgees or transferees, including transferees under the Act, of the Transition Property.

If, however, a bankruptcy trustee or similar official has been appointed for the Servicer, and no Servicer default other than an appointment of a bankruptcy trustee or similar official has occurred, the bankruptcy trustee or similar official may have the power to prevent the Trustee or the Bondholders from effecting a transfer of servicing.

Waiver of Past Defaults

Holders of at least a Majority in Interest of the Outstanding Bonds, on behalf of all Bondholders, may waive any default by the Servicer in the performance of its obligations under the Servicing Agreement and may waive the consequences of any default, except a default in making any required remittances to the Trustee under the Servicing Agreement. The Servicing Agreement provides that no waiver will impair the Bondholders' rights relating to subsequent defaults.

Successor Servicer

If for any reason a third party assumes the role of the Servicer under the Servicing Agreement, the Servicing Agreement will require the Servicer to cooperate with the State, the Trustee and the successor Servicer in terminating the Servicer's rights and responsibilities under the Servicing Agreement, including the transfer to the successor Servicer of all cash amounts then held by the Servicer for remittance or subsequently acquired. The Servicing Agreement will provide that, in case a successor Servicer is appointed as a result of a Servicer default, all reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with transferring all relevant records to the successor Servicer and amending the Servicing Agreement to reflect such succession as Servicer shall be paid by the Servicer upon presentation of reasonable documentation of such costs and expenses. All other reasonable costs and expenses incurred in transferring servicing responsibilities to a successor Servicer shall be paid as Operating Expenses.

Amendment

Each Servicing Agreement may be amended by the parties thereto, without the consent of the Bondholders (notwithstanding any provision of any other document that would otherwise require such consent as a precondition of Trustee consent), but with the consent of the Trustee (which consent may not be unreasonably withheld) to cure any ambiguity, to correct or supplement any provision thereof or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of that agreement or of modifying in any manner the rights of the Bondholders, provided that the action will not, as certified in a certificate of an officer of the Servicer delivered to the Trustee and the State, adversely affect in any material respect the interest of any Bondholder. Each Servicing Agreement may also be amended by the Servicer and the State with the consent of the Trustee (which consent may not be unreasonably withheld) and the Bondholders of at least a Majority in Interest of the Outstanding Bonds for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the agreement or of modifying in any manner the rights of the Bondholders; provided that an amendment of the provisions of the Servicing Agreement relating to the Servicer's remittance and State RRB Charge adjustment obligations will not result in a reduction or withdrawal of the then existing rating of the Bonds by the Rating Agencies.

Each Rating Agency will be given 10 Business Days' prior notice of any amendment to a Servicing Agreement, the Indenture and the other transaction documents relating to the issuance of the Bonds. Each Rating

Agency will also receive a copy of any material notice, filing or report distributed by the Servicer, the independent accountants, the State or the Trustee under the Servicing Agreement or the Indenture.

THE COMPANIES

The information under this caption was provided to the State by the respective Companies.

Connecticut Light and Power

General

The Connecticut Light and Power Company was incorporated under Connecticut law in 1917. CL&P is an electric company primarily engaged in the business of providing electric service to retail customers in an area approximately 4,400 square miles, including 149 cities and towns. In 2003, CL&P served an average of approximately 1.1 million customers.

CL&P is regulated by the DPUC, the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission.

CL&P is a wholly owned subsidiary of Northeast Utilities.

Revenues, Customer Base and Energy Consumption

Several factors influence the number of CL&P's retail customers and their electric energy consumption. One of these factors is the general economic climate in CL&P's service territory, which affects migration of residential, commercial and industrial customers into or out of the service territory. Another factor influencing sales of electricity is temperature. CL&P's electricity sales are typically higher in the winter and summer when heating or cooling demands are highest than in the spring and fall when temperatures tend to be more moderate. The level of business activity of commercial and industrial customers also tends to influence their electricity consumption. Other factors affecting the electricity consumption of retail customers, primarily over the longer term, include the availability of more energy-efficient appliances and other products and retail customers' ability to acquire these products.

The table below sets forth CL&P's total retail revenues from retail sales of electrical energy for the years 1998 to 2003:

Retail Revenues (000,000s)

	1998	1999	2000	2001	2002	2003
Residential	$ 998	$1,014	$ 966	$ 992	$1,028	$1,152
Commercial	876	851	823	855	875	961
Industrial	303	291	286	285	274	291
Other	37	35	35	33	34	35
Total	$2,214	$2,191	$2,110	$2,165	$2,211	$2,439

The table below sets forth CL&P's monthly average number of retail customers by class for the years 1998 to 2003:

Monthly Average Number of Retail Customers (000s)

	1998	1999	2000	2001	2002	2003
Residential	1,013	1,022	1,022	1,051	1,048	1,058
Commercial	91	92	92	96	103	105
Industrial	4	4	4	4	4	4
Other	3	3	3	3	3	3
Total	1,111	1,121	1,121	1,154	1,158	1,170

The table below sets forth CL&P's retail energy sales for the years 1998 to 2003:

Retail Energy Sales (Gigawatt-Hours)

	1998	1999	2000	2001	2002	2003
Residential	8,540	9,071	9,084	9,340	9,699	10,359
Commercial	8,915	8,973	9,037	9,460	9,644	9,829
Industrial	3,965	4,004	4,000	3,850	3,707	3,630
Other	273	268	285	286	292	298
Total	21,693	22,316	22,406	22,936	23,342	24,116

Estimated Consumption and Variances

CL&P's calculation of the initial State RRB Charge and subsequent adjustments are based on electricity sales estimates. The Servicer will use these estimates to calculate and set the State RRB Charge at a level intended to generate revenues sufficient to pay principal of and interest on the Bonds, to pay related fees and expenses and to replenish the Reserve Account.

CL&P conducts sales estimate variance analyses on a regular basis to monitor the accuracy of energy estimates against recorded consumption. The table below presents the estimates of CL&P's retail energy sales in gigawatt-hours for the years 1998 to 2003. There are 1,000,000 kilowatt-hours in a gigawatt-hour. Each estimate was made in the prior year. For example, the 1998 estimate of 21,472 gigawatt-hours was prepared in 1997.

Annual Variances
Retail Energy Sales (Gigawatt-Hours)

	1998	1999	2000	2001	2002	2003
Estimate	21,472	21,895	22,858	22,916	23,216	23,344
Actual	21,693	22,316	22,406	22,936	23,342	24,116
Variance	221	421	452	20	126	772
Percentage Variance	1.0%	1.9%	-2.0%	0.1%	0.5%	3.3%

Actual usage depends on several factors, including temperatures and economic conditions. For example, while CL&P's methodology for estimating usage assumes normal conditions, abnormally hot summers can add an extra 1 to 2 percent in electricity sales. Regional economic conditions can also affect sales as retail customers curb electricity usage to save money, businesses close and retail customers migrate from CL&P's service territory. Accordingly, variations in conditions will affect the accuracy of any estimate.

Credit Policy

CL&P's credit and collections policies are regulated by the DPUC. Under the DPUC's regulations, CL&P is obligated to provide service to all customers within its service territory.

On application for service, the identification of all residential customers is verified through the use of a major credit-reporting bureau. In instances where nonresidential customers have not established satisfactory credit, a signed application and a security deposit are required. The security deposit may be in the form of a cash deposit, surety bond and/or irrevocable letter of credit. The amount of security is normally the amount of one month's bill. CL&P does not obtain security deposits from its residential customers.

According to the DPUC's regulations, CL&P may refuse to provide service, at any location, to an applicant who is indebted to it for any service previously furnished to the applicant. CL&P will commence service, however, if a reasonable payment plan for the indebtedness is first made between a residential applicant and CL&P, and it may likewise commence service for an industrial or commercial applicant.

Billing Process

CL&P bills its customers in 20 billing cycles each month. These billing cycles range from 25 to 38 days, with an average of 30 days. An approximately equal number of bills are distributed each business day. During 2003, CL&P distributed an average of approximately 56,900 bills per billing cycle (i.e., on each business day) to customers in its various customer categories.

Approximately 69,000 residential and small business customers, which constitutes approximately 6 percent of CL&P's retail customers, choose to be billed using CL&P's budget billing program. For these customers CL&P determines and bills a monthly budget amount based on the last twelve months of billing history for each account. Customers receive eleven equal monthly budget bills. Overpayments or underpayments for actual usage during the prior year are reconciled on each customer's twelfth month budget bill. The budget amount is recalculated every four months, if necessary.

For accounts with potential billing errors, exception reports are generated for manual review. This review examines accounts that have abnormally high or low bills, potential meter-reading errors and possible meter malfunctions.

Collection Process

CL&P receives the majority of its payments via the U.S. mail; however, other payment options are also available. These options include electronic payments, electronic fund transfers, as well as direct payment at CL&P's payment agency network.

CL&P considers customer bills to be delinquent if they are unpaid 38 days after the billing date. In general, CL&P's collection process begins when balances are unpaid for 52 days or more from the billing date. At that time CL&P brings collection activities ranging from delinquency notice mailings, to telephone calls, to personal collection and ending with electricity shutoff. CL&P also uses collection agencies and legal collection experts as needed throughout this process.

Restoration of Service

Before restoring service that has been shut off for non-payment, CL&P has the right to require the payment of all of the following charges:

- amounts owing on an account including the amount of any past-due balance for charges for which CL&P may disconnect service if they are unpaid and legal notice requirements were met prior to service termination, the current billing and a credit deposit, if applicable;

- any miscellaneous charges associated with the reconnection of service (i.e., reconnection charges and/or returned check charges);

- any charges assessed for unusual costs incidental to the termination or restoration of service which have resulted from the customer's action or negligence; and

- any unpaid closing bills from other accounts in the name of the customer of record.

Loss Experience

The following table sets forth information relating to CL&P's annual net charge-offs (i.e., net of recoveries) for retail customers for the years 1998 to 2003:

Loss Experience

	1998	1999	2000	2001	2002	2003
Net Charge-Offs (000,000s):	$12.7	$12.4	$8.8	$10.1	$9.5	$11.5
Percentage of Retail Revenues:	0.57%	0.57%	0.42%	0.47%	0.43%	0.47%

CL&P determines a customer's account to be inactive on the date:

- the customer requests discontinuance of service,

- a new customer applies for service at a location where the customer of record has not yet discontinued service, or

- the customer's service has been shut off due to non-payment.

CL&P's policy is to charge-off an inactive account against bad debt reserve 75 days after the date the account is determined to be inactive if payment has not been received.

Aging Receivables

The following table sets forth information relating to the aging of CL&P's accounts receivable for all classes of customers based on the average of the twelve month-end outstanding receivables for the given year. This historical information is presented because CL&P's actual accounts receivable aging experience may affect the amounts charged-off, and consequently the total amounts remitted, that arise from the State RRB Charge.

Average Receivables

	1998	1999	2000	2001	2002	2003
Percentage Outstanding For:						
1 – 30 days	64.5%	68.4%	63.9%	61.9%	61.6%	64.2%
31 – 60 days	21.8	20.8	23.8	18.2	22.3	23.4
61 – 90 days	4.1	3.4	3.9	5.7	3.9	3.9
91 – 120 days	1.8	1.3	1.7	3.6	1.8	1.6
over 120 days	7.8	6.1	6.7	10.6	10.4	6.9

During the last six years, the accounts receivable aging experience for CL&P has remained relatively consistent with no discernible trend upwards or downwards. The Company is not aware of any material factors that caused the accounts receivable aging experience to vary.

United Illuminating

General

The United Illuminating Company is a regulated operating electric public utility established in Connecticut in 1899. UI is engaged principally in the purchase, transmission, distribution and sale of electricity for residential, commercial and industrial purposes in a service area of about 335 square miles in the southwestern part of Connecticut. The service area, largely urban and suburban in character, includes the principal cities of Bridgeport (population approximately 140,000) and New Haven (population approximately 124,000) and their surrounding areas.

UI is headquartered in New Haven, Connecticut. Senior Management maintains offices at this location and is responsible for overall planning, operating and financial functions. As of December 31, 2003, UI had 820 employees.

UI is regulated primarily by the DPUC and the Federal Energy Regulatory Commission (FERC).

UI is a wholly-owned subsidiary of UIL Holdings Corporation. UIL Holdings was formed in July 2000 in response to the industry restructuring in Connecticut and the growth of UI's non-utility subsidiaries. UI became a wholly-owned subsidiary of UIL Holdings and all of UI's interest in all of its direct and indirect non-utility subsidiaries were transferred to UIL Holdings.

The table below sets forth UI's total retail revenues from retail sales of electrical energy for the years 1998 to 2003.

Retail Revenues (000,000s)

	1998	1999	2000	2001	2002	2003
Residential	$263	$272	$253	$267	$281	$273
Commercial	255	256	242	255	256	248
Industrial	102	101	97	95	91	82
Other	12	11	10	10	11	11
Total	$632	$640	$602	$627	$639	$614

The table below sets forth UI's monthly average number of retail customers by class for the years 1998 to 2003:

Monthly Average Number of Retail Customers (000s)

	1998	1999	2000	2001	2002	2003
Residential	282	283	285	286	288	289
Commercial	29	30	30	30	30	29
Industrial	2	2	2	2	1	2
Other	1	1	1	1	1	1
Total	314	316	318	319	320	321

The table below sets forth UI's retail energy sales for the years 1998 to 2003:

Retail Energy Sales (Gigawatt-Hours)

	1998	1999	2000	2001	2002	2003
Residential	1,925	2,054	2,057	2,120	2,247	2,262
Commercial	2,324	2,388	2,403	2,476	2,466	2,502
Industrial	1,155	1,162	1,146	1,082	1,022	952
Other	48	48	48	46	46	47
Total	5,452	5,652	5,654	5,724	5,781	5,763

UI conducts sales estimate variance analysis on a regular basis to monitor the accuracy of energy estimates against recorded consumption. The table below presents the estimates of UI's retail energy sales in gigawatt-hours for the years 1998 to 2003. There are 1,000,000 kilowatt-hours in a gigawatt-hour. Each estimate was made in the prior year. For example, the 1998 estimate of 5,345 gigawatt-hours was prepared in 1997.

Annual Variance
Retail Energy Sales (Gigawatt-Hours)

	1998	1999	2000	2001	2002	2003
Estimate	5,345	5,526	5,620	5,707	5,659	5,714
Actual	5,452	5,652	5,654	5,724	5,781	5,763
Variance	107	126	34	17	122	49
Percentage Variance	2.0%	2.3%	0.6%	0.3%	2.2%	0.9%

The following table sets forth information relating to UI's annual net charge-offs (i.e., net of recoveries) for retail customers for the years 1998 to 2003.

Loss Experience

	1998	1999	2000	2001	2002	2003
Net Charge-Offs (000,000s):	$5.0	$5.0	$4.3	$5.4	$4.9	$5.3
Percentage of Retail Revenues:	0.79%	0.78%	0.71%	0.86%	0.77%	0.86%

The following table sets forth information relating to UI's collection curve for all classes of customers for each of the years shown. This historical information is presented because UI's collection curve may affect the amounts charged off, and consequently the total amount remitted, that arise from the State RRB charge:

Collection Curve

	1998	1999	2000	2001	2002	2003
Amounts Collected for the Period:						
1 – 30 days	81.2%	81.1%	79.1%	79.5%	81.3%	81.1%
31 – 60 days	12.0	12.4	17.3	13.6	12.2	14.7
61 – 90 days	5.4	5.7	3.1	5.6	6.0	4.0
91 – 120 days	1.2	0.5	0.3	1.0	0.3	0.1
over 120 days	0.2	0.3	0.2	0.4	0.3	0.1

During the last six years, UI's collection curve has remained relatively consistent with no discernible trend upwards or downwards. The Company is not aware of any material factors that caused the collection curve to vary.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (with its nominees, "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of DTC. One or more fully-registered Bond certificates will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

The deposit of Bonds with DTC and their registration in the name of DTC do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

DTC will not consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns DTC's consenting or voting rights to those Direct

Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Trustee, any Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to DTC is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. The State takes no responsibility for the accuracy thereof.

LEGALITY FOR INVESTMENT

Under existing State law, the Bonds are legal investments for the State and for municipalities, regional school districts, fire districts, and any municipal corporation or authority authorized to issue bonds, notes or other obligations, State chartered or organized insurance companies, bank and trust companies, savings banks, savings and loan associations and credit unions, as well as executors, administrators, trustees and certain other fiduciaries. Subject to any contrary provisions in any agreement with noteholders or bondholders or other contract, the Bonds also are legal investments for virtually all public authorities in the State.

The Bonds may be accepted by the Comptroller as a substitution for amounts paid as retainage under any State contract or subcontract.

RATINGS

Upon issuance, S&P, Moody's and Fitch are expected to assign their ratings of AAA, Aaa and AAA, respectively, to the Bonds. Each such rating reflects only the views of that rating agency, and an explanation of the significance of such rating and such credit outlook may be obtained from such rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agency if in the judgment of such rating agency circumstances so warrant. A downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

Opinion of Bond Counsel – Federal Tax Exemption

In the opinion of Bond Counsel, under existing law, interest on the Bonds (a) is not included in gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to certain corporations (as

defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax.

Bond Counsel's opinion with respect to the Bonds will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Code. The Code establishes certain requirements which must be met at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes. Failure to comply with the continuing requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Tax Compliance Certificate and Agreement (the "Tax Compliance Agreement"), which will be delivered concurrently with the issuance of the Bonds, the State will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code.

Pursuant to the Tax Compliance Agreement, the State will covenant that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall not be included in the gross income of the owners thereof for federal income tax purposes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds.

Original Issue Discount

The initial public offering prices of the Bonds of certain maturities in certain Series (the "OID Bonds") may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount ("OID"). The offering prices relating to the yields set forth on the front cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner's basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation's federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium

The initial public offering prices of the Bonds of certain maturities (the "OIP Bonds") may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in

the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

Other Federal Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, certain insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Legislation affecting the exclusion from gross income of interest on bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect upon the tax-exempt status or the market price of the Bonds.

State Taxes

In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on a Bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of OID Bonds or OIP Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of OID Bonds or OIP Bonds.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof.

General

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of a Bond. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Bonds.

CONTINUING DISCLOSURE AGREEMENT

The General Statutes of Connecticut give the State the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The State will enter into a Continuing Disclosure Agreement with respect to the Bonds for the benefit of the beneficial owners of the Bonds, substantially in the form attached as Appendix B to this Official Statement (the "Continuing Disclosure Agreement"), pursuant to which the State will agree to provide or cause to be provided, in accordance with the requirements of the Rule: (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The Underwriters' obligation to purchase the Bonds shall be conditioned upon their receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

ABSENCE OF LITIGATION

Upon delivery of the Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of monies to the payment of the Bonds. In addition, such certificate shall state that, except as disclosed in the Offering Circular, there is no controversy or litigation of any nature now pending by or against the State which, in the opinion of the Attorney General, will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect its financial condition or the power of the State to enforce the collection of the Revenues for the payment of the Bonds.

LEGAL MATTERS

The State Treasurer, with the approval of the Attorney General of the State of Connecticut, has appointed Pullman & Comley, LLC, to serve as Bond Counsel with respect to the Bonds, and delivery of the Bonds will be subject to the approving opinion of Bond Counsel. The opinion of Bond Counsel with respect to the Bonds will be substantially in the form included as **Appendix C**.

Certain legal matters will be passed upon for CL&P by Day, Berry & Howard LLP. Such firm has served as bond counsel and disclosure counsel to the State in other transactions.

Certain legal matters will be passed upon for UI by Wiggin and Dana LLP.

Certain legal matters will be passed upon for the Underwriters by Sidley Austin Brown & Wood LLP. Such firm has served as counsel to the State in other transactions.

FINANCIAL ADVISOR

The State has appointed Public Resources Advisory Group to serve as financial advisor to assist the State in the issuance of the Bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to specified conditions precedent, to purchase the Bonds from the State at an aggregate discount of $1,497,066.77. The Underwriters will be obligated to purchase all the Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) and others at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriters.

ADDITIONAL INFORMATION

It is the present policy of the State to make available, upon request from the Office of the State Treasurer, copies of this Offering Circular.

Additional information may be obtained upon request from the Office of the State Treasurer, Denise L. Nappier, Attn: Catherine S. Boone, Assistant Treasurer, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3127.

STATE OF CONNECTICUT

Dated at Hartford
this 9th day of June, 2004

/s/ Denise L. Nappier
State Treasurer

Appendix A

THE INDENTURE

The following summary is qualified in all respects by reference to the terms of the Indenture, copies of which are available from the Trustee.

Definitions

(a) In addition to terms defined in the Act or the Servicing Agreements or elsewhere in the Indenture or this Offering Circular, the following terms have the following meanings in the Indenture, unless the context otherwise requires:

"Accounts" means initially the Collection Account, the Cost of Issuance Account, the Bond Account, the Rebate Account and the Reserve Account.

"Allocation Date" means two Business Days prior to each Payment Date.

"Bondholders", "Beneficiaries" and similar terms mean the registered owners of the Bonds from time to time as shown on the books of the State.

"Bond Documents" means the Servicing Agreements, the Indenture, the Tax Compliance Agreement, the Continuing Disclosure Agreement and the Bond Purchase Agreement.

"Bond Purchase Agreement" means the bond purchase agreement delivered in connection with the Bonds.

"Bonds" means all rate reduction bonds issued under the Indenture.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York, Hartford, Connecticut, or Wilmington, Delaware, are authorized or obligated by law, regulation or executive order to remain closed.

"Closing Date" means June 23, 2004.

"Costs" means the following; Costs of Issuance, costs of providing reserves, the amount specified in the Financing Order to be deposited in the State's General Fund to preserve the Programs from the proceeds of the bonds authorized therein, and any other costs authorized pursuant to the Act to be paid with the proceeds of the Bonds.

"Costs of Issuance" means those Costs that are payable with respect to the authorization, sale and issuance of Bonds, underwriting fees, structuring fees, auditors' or accountants' fees, printing costs, costs of reproducing documents, filing and recording fees, fees and expenses of fiduciaries, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, governmental charges, and other costs, charges and fees in connection with the foregoing.

"Counsel" means nationally recognized bond counsel or such other counsel as may be selected by the State for a specific purpose under the Indenture.

"Debt Service" means interest, redemption premium, if any, and principal payments due on outstanding Bonds.

"Defeasance Collateral" means money and legal investments under section 3-20(f) of the Connecticut general statutes that are:

(a) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the State obtains Rating Agency Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(b) obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof);

(c) certificates evidencing ownership of the right to the payment of the principal of or interest on obligations described in clause (b), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian;

(d) bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, and (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (a), (b), (c) or (e) which fund may be applied only to the payment when due of such bonds or other obligations; and

(e) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, FNMA or the Federal Farm Credit System;

"Eligible Investments" means the following obligations to the extent they are legal for investment of money under the Indenture pursuant to any applicable provision of the Connecticut general statutes:

(1) Defeasance Collateral and Permitted Investments;

(2) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, FNMA, or the Federal Farm Credit System;

(3) demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, if such deposits or instruments are rated either A-1+ or in the highest long-term category by S&P, F1 by Fitch (if rated by Fitch), and the long-term unsecured debt obligations of the institution holding the related account has one of the two highest ratings available for such securities by Moody's;

(4) general obligations of, or obligations guaranteed by, any state of the United States or the District of Columbia receiving one of the two highest long-term unsecured debt ratings available for such securities by Moody's and by Fitch (if rated by Fitch), and the highest long-term unsecured debt rating available for such securities by S&P;

(5) commercial or finance company paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) that is rated either A-1+ or the highest category by S&P, F1 by Fitch (if rated by Fitch), and in one of the two highest categories by Moody's;

(6) repurchase obligations with respect to any security described in clause (1) or (2) above entered into with a broker/dealer, depository institution or trust company (acting as principal) meeting the rating standards described in clause (3) above;

(7) securities bearing interest or sold at a discount that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated in one of the two highest categories by Moody's, F1 by Fitch (if rated by Fitch), and either A-1+ or in the highest long-term category by S&P at the time of such investment or contractual commitment providing for such investment; but securities issued by any such corporation will not be Eligible Investments to the extent that investment therein would cause the then outstanding principal amount of securities issued by such corporation that are then held to exceed 20% of the aggregate principal amount of all Eligible Investments then held;

(8) units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated in one of the two highest categories by Moody's, V1 by Fitch (if rated by Fitch) and at least AAm or AAm-G by S&P, including if so rated any fund which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee charges and collects fees and expenses (not exceeding current income) from such funds for services rendered, (b) the Trustee charges and collects fees and expenses for services rendered pursuant to the Indenture, and (c) services performed for such funds and pursuant to the Indenture may converge at any time (the State specifically authorizes the Trustee or an affiliate of the Trustee to charge and collect all fees and expenses from such funds for services rendered to such funds, in addition to any fees and expenses the Trustee may charge and collect for services rendered pursuant to the Indenture);

(9) investment agreements or guaranteed investment contracts rated, or with any financial institution whose senior long-term debt obligations are rated, or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, in one of the two highest categories for comparable types of obligations by Moody's and by Fitch (if rated by Fitch) and in the highest category for comparable types of obligations by S&P; or

(10) investment agreements with a corporation whose principal business is to enter into such agreements if (a) such corporation has been assigned a counterparty rating by Moody's in one of the two highest categories, by Fitch in one of the two highest rating categories (if rated by Fitch), and S&P has rated the investment agreements of such corporation in the highest category and (b) the State has an option to terminate each agreement in the event that such counterparty rating is downgraded below the two highest categories by Moody's, below the two highest categories by Fitch (if rated by Fitch), or the investment agreements of such corporation are downgraded below the highest category by S&P;

provided that no Eligible Investment may (a) evidence the right to receive only interest with respect to the obligations underlying such instrument or (b) be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

"FHLMC" means the Federal Home Loan Mortgage Corporation.

"Fiduciary" means the Trustee, any representative of Beneficiaries appointed by Supplemental Indenture, or any registrar, transfer agent or Paying Agent.

"Fitch" means Fitch Ratings; references to Fitch are effective so long as Fitch is a Rating Agency.

"FNMA" means the Federal National Mortgage Association.

"Issuer's Certificate" shall mean a written order or request signed in the name of the State by an authorized officer and delivered to the Trustee.

"Majority in Interest" means, unless otherwise specified in the Indenture, the Bondholders of at least 50% in aggregate principal amount of the Outstanding Bonds.

"Moody's" means Moody's Investors Service; references to Moody's are effective so long as Moody's is a Rating Agency.

"Operating Cap" means $50,000 for any Semiannual Period. Fees and expenses paid to the Servicers under the Servicing Agreements or payments made pursuant to the Code or to the Rebate Account are not subject to the Operating Cap.

"Operating Expenses" means (i) all expenses, costs and liabilities of the State or the Trustee incurred in connection with the administration of the Bonds pursuant to the Indenture (including all actions related to the collection, assignment or enforcement of the Transition Property) or in discharge of its obligations and duties under the Bond Documents or pursuant to the Financing Order, including salaries, administrative expenses, insurance premiums, auditing and legal expenses, fees and expenses incurred for professional consultants and Fiduciaries, payments on swap and ancillary contracts not otherwise provided for, any arbitrage rebate and penalties payable under the Code, amounts payable to the Rebate Account hereunder, fees and expenses incurred in connection with the administration of the above, (ii) all fees and expenses payable or reimbursable to the Servicers under the Servicing Agreements, and (iii) all other expenses identified by the Indenture or any Supplemental Indenture as "Operating Expenses".

"Outstanding", when used to modify Bonds, refers to Bonds issued under the Indenture, excluding: (i) Bonds which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which money has been duly provided; (iv) Bonds for which there has been irrevocably set aside sufficient Defeasance Collateral timely maturing and bearing interest, to pay or redeem them; and if any such Bonds are to be redeemed prior to maturity, the State shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Indenture or irrevocable instructions so to mail shall have been given to the Trustee; (v) Bonds the payment of which shall have been provided for pursuant to the Indenture; and (vi) for purposes of any consent or other action to be taken by the Bondholders of a Majority in Interest or specified percentage of Bonds under the Indenture, Bonds held by or for the account of the State or any person controlling, controlled by or under common control with the State.

"Payment Date" means each June 30 and December 30, commencing December 30, 2004, each additional Payment Date selected by the State or the Trustee, and each Payment Date to the extent so characterized in a Supplemental Indenture.

"Permitted Investments" means to the extent permitted by law:

(a) such obligations, securities and investments as are set forth in Section 3-20(f) of the Connecticut General Statutes, as the same may be amended from time to time,

(b) participation certificates in the short-term investment fund created and existing under Section 3-27a of the Connecticut General Statutes, as amended by Section 14 of the Public Act No. 84-254, or any successor provision; and

(c) participation certificates in the Tax-Exempt Proceeds Fund created and existing under Section 3-24a et seq. of the Connecticut General Statutes, as the same may be amended from time to time.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

"Program Costs" means the cost of sustaining the Programs pursuant to the Act, including the amount specified in the Financing Order to be deposited in State's General Fund from the proceeds of the Bonds.

"Rating Agencies" means collectively Fitch, Moody's, S&P, and their successors. If no such organization or successor is in existence, "Rating Agency" shall be a nationally recognized statistical rating organization or similar institution selected by the Issuer with notice to the Trustee and Servicer.

"Rating Category" means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Revenues" means the proceeds of the Transition Property, including the RRB Charge Collections and interest earnings on the Accounts net of amounts credited to the Rebate Account, and all other income and receipts (other than Bond proceeds) paid or payable under the Indenture to the State or the Trustee for the account of the State.

"RRB Charge" means the portion of the CTA designated pursuant to the Financing Order as the RRB Charge (including, without limitation, the RRB Charge included in special contract customer rates), as the same may be adjusted from time to time as provided in the Financing Order, and may in the future include a pro rata component of any exit fee collected pursuant to Section 16-245w of the Connecticut General Statutes if approved by the DPUC.

"RRB Charge Collections" means the RRB Charge Payments remitted to the Collection Account, along with interest earned by the Servicer on RRB Charge Payments that are required to be remitted to the Collection Account pursuant to the Servicing Agreements.

"RRB Charge Payments" means the actual payments received by a Servicer, directly or indirectly, from or on behalf of customers (including, without limitation, the RRB Charge included in special contract customer rates), multiplied by the percentage of such collections which is calculated in accordance with the Indenture to have been received in respect of the RRB Charge.

"S&P" means Standard & Poor's Ratings Services; references to S&P are effective so long as S&P is a Rating Agency.

"Semiannual Period" means the period ending December 30, 2004, and thereafter each six-month period commencing on December 31 and ending June 30 or commencing on July 1 and ending December 30 of each calendar year.

"Series 2004 Bonds" means the State's $205,345,000 Special Obligation Rate Reduction Bonds (2004 Series A), dated June 23, 2004, including any Bonds issued in exchange or replacement therefor.

"Servicer Default" means a "Servicer Default" as defined in a Servicing Agreement.

"Tax Compliance Agreement" means the Tax Compliance Agreement and Certificate delivered by the State in connection with the Series 2004 Bonds, dated as of the closing date.

"Valuation Date" means the close of business on each December 30th.

No Individual Liability

Neither the Treasurer nor any other officer of the State nor any person executing Bonds shall be liable personally thereon or be subject to any personal liability or accountability solely by reason thereof.

Security and Pledge

Pursuant to the Act, the State assigns and pledges to the Trustee in trust upon the terms of the Indenture (a) the Revenues, (b) all rights to receive the Revenues, including the Transition Property and the State's interest in the Financing Order, (c) all Accounts (other than the Rebate Account) and assets, including money, contract rights, general intangibles or other personal property, held by the Trustee under the Indenture, (d) the covenants of the

State, the electric distribution companies and other parties in the Indenture, the Servicing Agreements and the Act, (e) any and all other property of every kind and nature from time to time, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security and (f) the proceeds of all the foregoing. Except as specifically provided in the Indenture, this assignment and pledge does not include: (i) the rights of the State pursuant to provisions for consent or other action by the State, notice to the State, indemnity or the filing of documents with the State, or otherwise for its benefit and not for that of the Beneficiaries, or (ii) any right or power reserved to the State pursuant to the Act or other law. The State will implement, protect and defend this grant, assignment and pledge by all appropriate legal action, the cost thereof to be an Operating Expense. The preceding, and all pledges and security interests made and granted by the State pursuant hereto, are immediately valid, binding and perfected to the full extent provided by the Act. The foregoing collateral is hereby pledged and a security interest is therein granted, to secure the payment of Bonds. The Indenture constitutes a security agreement under the Connecticut Uniform Commercial Code. The State shall not incur any obligations, except as authorized by the Indenture, secured by a lien on the Revenues or Accounts equal or prior to the lien thereof.

Defeasance

When (a) there is held by or for the account of the Trustee Defeasance Collateral in such principal amounts, bearing fixed interest at such rates and with such maturities as will provide sufficient funds to pay or redeem all obligations to Beneficiaries in full (to be verified by a nationally recognized firm of independent certified public accountants), (b) if any Bonds are to be redeemed prior to the maturity thereof, the State shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly given or irrevocable instructions to give notice shall have been given to the Trustee, and (c) all the rights under the Indenture of the Trustee have been provided for, *then* upon written notice from the State to the Trustee, the Beneficiaries shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment of the funds so held and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof, the security interests created by the Indenture (except in such funds and investments) shall terminate, and the State and the Trustee shall execute and deliver such instruments as may be necessary to discharge the Trustee's lien and security interests.

Investments

Pending its use under the Indenture, money in the Accounts may be invested by the Trustee in Eligible Investments maturing or redeemable at the option of the holder at or before the time when such money is expected to be needed and shall be so invested pursuant to written direction of the State if there is not then an Event of Default actually known to an Authorized Officer of the Trustee. Investments shall be held by the Trustee in the respective Accounts and shall be sold or redeemed to the extent necessary to make payments or transfers from each Account. Except as otherwise specified in the Indenture, any interest realized on investments in any Account and any profit realized upon the sale or other disposition thereof shall be credited to the Collection Account.

The Trustee may hold undivided interests in Eligible Investments for more than one Account (for which they are eligible) and may make interfund transfers in kind. If any money is invested and a loss results therefrom so that there are insufficient funds to pay Debt Service, then the deficiency shall be timely filled from Revenues. The Trustee shall not be liable for any losses on investments made at the direction of the State.

Reports

Not later than five days following each Payment Date, the Trustee will deliver to the State a statement which will include (to the extent applicable) the following information as to the Bonds with respect to such Payment Date or the period since the previous Payment Date, as applicable:

(1) the amount of principal paid;

(2) amount of interest paid;

(3) the aggregate outstanding principal balance of the Bonds by maturity, after giving effect to payments reported under (1) above;

(4) amounts paid as Operating Expenses since last report; and

(5) the balance of the Collection Account, the Bond Account, the Reserve Account, the Rebate Account, and the Cost of Issuance Account after giving effect to payments and allocations made on such Payment Date.

The Trustee shall supply CL&P and UI with copies of all reports furnished to the State; supply CL&P with information available from its records concerning the Bonds and the Accounts reasonably requested, from time to time, to enable CL&P to complete any Required Collections Certificate and Semiannual Servicer Certificate (as defined in the Servicing Agreements), which information may include, but shall not be limited to, the average balance in each of the Accounts for each Semiannual Period, the earnings on each of the Accounts for each Semiannual Period and draws made against each Account during each Semiannual Period; and supply the State with copies of all information provided to CL&P.

Not later than two Business Days thereafter, if the balance of the Reserve Account falls below the Trigger Amount on a June 30 Payment Date, the Trustee shall notify the Rating Agencies, the State, and Servicers that the event occurred and the amount of the remaining balance in the Reserve Account.

Deficiencies and Surpluses in the Reserve Account

(a) For the purposes of this section of the Indenture: (i) a "deficiency" shall mean in the case of the Reserve Account, that the amount on deposit therein is less than the Reserve Requirement, and (ii) a "surplus" shall mean in the case of the Reserve Account, that the amount on deposit therein is in excess of the Reserve Requirement.

(b) At the time of any withdrawal from the Reserve Account (other than of income), the Trustee shall promptly compute the value of the remaining assets thereof, and the Trustee shall promptly notify the State of the amount of any deficiency.

(c) On each Valuation Date, the Trustee shall determine the value of the assets in the Reserve Account. The Trustee shall as promptly as practicable after such Valuation Date, but in any case not later than the first business day subsequent to such Valuation Date, notify the State and CL&P in writing as to the result of such computation and the amount of any surplus or deficiency as of such Valuation Date in the Reserve Account. The Trustee shall as promptly as practicable transfer the amount of any such surplus which, as a result of such computation may be shown to exist in such Reserve Account for application and deposit into the Collection Account.

(d) Deficiencies in the amount on deposit in the Reserve Account shall be restored on the next succeeding Allocation Date from the Collection Account to the extent such funds are available.

Servicing Agreements

(a) The State shall enforce or cause the Trustee to enforce, by appropriate legal proceedings, each covenant, pledge or agreement made by any electric distribution company or other entity pursuant to the Act for the benefit of any of the Beneficiaries; and shall take such action under the Servicing Agreements as may be necessary to assure that the Trustee will receive Revenues sufficient for the timely payment of Debt Service.

(b) The State (i) will diligently pursue any and all actions to enforce its rights under each Servicing Agreement and (ii) will not take any action and will use its reasonable efforts not to permit any action to be taken by others that would release any Person from any of such person's covenants or obligations under any such instrument or agreement or that would result in the amendment, hypothecation, subordination, termination or discharge of, or

impair the validity or effectiveness of, any such instrument or agreement, except, in each case, as expressly permitted in the Indenture, the Servicing Agreements or such other instrument or agreement.

(c) The State will punctually perform and observe all of its obligations and agreements contained in the Indenture and the Servicing Agreements, including filing or causing to be filed all filings with the DPUC pursuant to the Act, financing statements and continuation statements required to be filed by it by the terms of the Indenture and the Servicing Agreements in accordance with and within the time periods provided for. Except as otherwise expressly permitted therein, the State shall not waive, amend, modify, supplement or terminate any Servicing Agreement or any provision thereof without the written consent of the Trustee (which consent shall not be withheld if (i) the Trustee shall have received an Officer's Certificate stating that such waiver, amendment, modification, supplement or termination shall not adversely affect in any material respect the interests of the Bondholders and (ii) Rating Agency Confirmation shall have been obtained) or the Bondholders of at least a Majority in Interest.

(d) If the State shall have knowledge of the occurrence of a Servicer Default under a Servicing Agreement, the State shall promptly give written notice thereof to the Trustee and the Rating Agencies, and shall specify in such notice the action, if any, the State is taking with respect to such default. If a Servicer Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Servicing Agreement with respect to the State's Transition Property, the State shall take all reasonable steps available to it to remedy such failure.

(e) As promptly as possible after the giving of notice to the Servicers, the Trustee and the Rating Agencies of termination of the Servicer's rights and powers pursuant to the Servicing Agreement, the State, subject to the approval of the DPUC pursuant to the Financing Order, shall appoint a successor Servicer (the "Successor Servicer") with the Trustee's prior written consent thereto (which consent shall not be unreasonably withheld), and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the State and the Trustee. A Successor Servicer shall satisfy the requirements of the Servicing Agreement. If within 30 days after the delivery of the notice referred to above, the State shall not have obtained such a Successor Servicer, the Trustee may petition the DPUC or a court of competent jurisdiction to appoint a Successor Servicer. In connection with any such appointment, the State may make such arrangements for the compensation of such successor as it and such successor shall agree, subject to the limitations set forth in the Indenture and in the Servicing Agreement, and in accordance and in compliance with the Servicing Agreement, the State shall enter into an agreement with such successor for the servicing of the Transition Property (such agreement to be in form and substance reasonably satisfactory to the Trustee).

(f) Upon any termination of the Servicer's rights and powers pursuant to the Servicing Agreement, the Trustee shall promptly notify the State, the Bondholders and the Rating Agencies. As soon as a Successor Servicer is appointed, the State shall notify the Trustee, the Bondholders and the Rating Agencies of such appointment, specifying in such notice the name and address of such Successor Servicer.

(g) Without derogating from the absolute nature of the assignment granted to the Trustee under the Indenture or the rights of the Trustee thereunder, the State agrees that it will not, without the prior written consent of the Trustee (which consent shall not be withheld if (i) the Trustee shall have received an Officer's Certificate stating that such amendment, modification, waiver, supplement, termination or surrender shall not adversely affect in any material respect the interests of the Bondholders and (ii) Rating Agency Confirmation shall have been obtained) or the Bondholders of at least a Majority in Interest, amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, waiver, supplement, termination or surrender of, the terms of any collateral or the Servicing Agreements, or waive timely performance or observance of any material term by the Servicer under a Servicing Agreement. If any such amendment, modification, supplement or waiver shall be so consented to by the Trustee or such Bondholders, the State agrees to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as shall be necessary or appropriate in the circumstances. No such amendment, modification, supplement or waiver shall adversely affect the rights of the Bondholders, except as otherwise agreed to by the Bondholders in accordance with the Indenture and the Servicing Agreements.

(h) The State shall make all filings required under the Act relating to the transfer of the ownership or security interest in the Transition Property other than those required to be made by another party pursuant to the Indenture and the Servicing Agreements.

Tax Covenant

The State shall at all times do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid by the State on the Series 2004 Bonds shall be excludable from gross income for federal income tax purposes pursuant to § 103(a) of the Tax Code; and no funds of the State shall at any time be used directly or indirectly to acquire securities or obligations the acquisition or holding of which would cause any Series 2004 Bond to be an arbitrage bond as defined in the Code and any applicable Regulations issued thereunder.

If and to the extent required by the Code, the State shall periodically, at such times as may be required to comply with the Code, pay as an Operating Expense the amount, if any, required by the Code to be rebated thereto or paid as a related penalty.

Accounts and Reports

The State shall (1) cause to be kept books of account in which complete and accurate entries shall be made of its transactions relating to all funds and accounts under the Indenture, which books shall at all reasonable times be subject to the inspection of the Trustee and the Bondholders of an aggregate of not less than 25% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing;

(2) annually, by the September 1st following the end of each calendar year beginning with the calendar year ending December 31, 2004, deliver to the Trustee and each Rating Agency, the financial statements for such calendar year relating to the trust created under the Indenture, as audited by the Auditor of Public Accounts of the State;

(3) keep in effect at all times by Officer's Certificate an accurate and current schedule of all Debt Service to be payable during the life of then Outstanding Bonds; and

(4) deliver to each Rating Agency and the Trustee a semiannual statement of cash flows, including Revenues received, transfers to the Accounts, Bonds issued, and payments of principal and interest, and an annual statement of the State's costs in administering, collecting and distributing the Transition Property and the Revenues.

Ratings

Unless otherwise specified by Supplemental Indenture, the State shall pay such reasonable fees and provide such available information as may be necessary to obtain and keep in effect ratings on all the Bonds from at least two nationally recognized statistical rating organizations. Such costs are Operating Expenses.

Trustee's Priority

The State agrees to pay to the Trustee (or any successor trustee) from time to time reasonable compensation for its services under the Indenture and to reimburse it for its reasonable expenses (including, without limitation, reasonable legal fees and expenses) incurred in connection therewith, it being understood that the Trustee shall have no recourse against the State or against the Bonds or the payment thereon and proceeds thereof, for payment of such amounts other than from the Revenues. The foregoing shall not adversely affect the right of the Trustee to receive payment of such amounts from amounts deposited in the Collection Account in the priorities described in the Indenture. The Trustee shall have a lien against the Transition Property to secure payment of such amounts to the extent provided in the Act or the Financing Order.

Any fees, expenses, reimbursements or other charges which any Fiduciary may be entitled to receive from the State under the Indenture, if not otherwise paid, shall be a first lien upon (but only upon) any funds held in the Collection Account.

Action by Bondholders

Any request, authorization, direction, notice, consent, waiver or other action provided by the Indenture to be given or taken by Bondholders may be contained in and evidenced by one or more writings of substantially the same tenor signed by the requisite number of Bondholders or their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Indenture (except as otherwise expressly provided) if made in the following manner, but the State or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate or signature guarantee, which need not be acknowledged or verified, of an officer of a bank, trust company or securities dealer satisfactory to the State or to the Trustee; or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the Person signing such request or other instrument acknowledged to him the execution thereof; or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the Person or Persons executing any such instrument on behalf of a corporate holder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a Person purporting to be its clerk or secretary or an assistant clerk or secretary. Any action of the Bondholders shall be irrevocable and bind all future record and beneficial owners thereof.

Events of Default; Default

"Event of Default" in the Indenture means any one of the events set forth below and "default" means any Event of Default without regard to any lapse of time or notice.

(a) The State shall fail to pay when due any interest or principal on a Bond.

(b) The State shall amend, alter, repeal or fail to comply with the State Covenant as in effect on the date of issuance of the Bonds, or enact a moratorium or other similar law affecting the Bonds.

(c) The State shall fail to make any other required payment to the Trustee or other Fiduciary and such failure is not remedied within 7 days after written notice thereof is given by the Trustee or other Fiduciary to the State, or fail to observe or perform any of its other agreements, covenants or obligations under the Indenture and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the State.

(d) A material breach by the State of its representations and warranties set forth in the Indenture, which has a materially adverse effect on the Bondholders if within 90 days after the date of notice of such breach has not been cured or the State has not taken remedial action so there is not and will not be a material adverse affect on the Bondholders.

Remedies of the Trustee

If an Event of Default occurs and is continuing the Trustee may, and upon written request of the Bondholders of 25% in principal amount of the Bonds Outstanding shall, in its own name by action or proceeding in accordance with law:

(a) enforce all rights of the Bondholders and require the State to carry out its agreements with the Bondholders and to perform its duties under the Act;

(b) sue upon such Bonds;

(c) require the State to account as if it were the trustee of an express trust for the Bondholders of such Bonds; and

(d) enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders of such Bonds.

Individual Remedies

Not one or more Bondholders shall by his or their action affect, disturb or prejudice the pledge created by the Indenture, or enforce any right under the Indenture, except in the manner therein provided; and all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided therein and for the equal benefit of all Bondholders of the same class; but nothing in the Indenture shall affect or impair the right of any holder of any Bond to enforce payment of the principal of, premium, if any, or interest therein at and after the maturity thereof, or the obligation of the State to pay such principal, premium, if any, and interest on each of the Bonds to the respective Bondholders thereof at the time, place, from the source and in the manner expressed in the Indenture and the Bonds.

Waiver

If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences, by written notice to the State, and shall do so upon written instruction of the Bondholders of at least 25% in principal amount of the Outstanding Bonds.

No delay or omission of the Trustee or of any Bondholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given hereby or by law to the Trustee or to the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondholders, as the case may be.

Supplements and Amendments

(a) The Indenture may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Officer of the State, to (i) provide for earlier or greater deposits into the Bond Account, (ii) subject any property to the lien of the Indenture, (iii) add to the covenants and agreements of the State or surrender or limit any right or power of the State, (iv) identify particular Bonds for purposes, including credit or liquidity support, remarketing, serialization and defeasance, (v) cure any ambiguity or defect, or (vi) protect the exclusion of interest on the Bonds for federal income tax purposes, or the exemption from registration of the Bonds under the Securities Act of 1933, as amended, or the exemption of the Indenture from registration under the Trust Indenture Act of 1939, as amended; or (2) amended by the State and the Trustee (i) to add provisions that are not prejudicial to the Bondholders, (ii) to adopt amendments that do not take effect unless and until (1) no Bonds prior to the adoption of such amendment remain Outstanding or (2) such amendment is consented to by the Bondholders of such Bonds in accordance with the further provisions hereof, or (3) pursuant to the following paragraph (b).

(b) Except as provided in the foregoing paragraph (a) the Indenture may be amended (1) only with the written consent of a Majority in Interest of the Bonds to be Outstanding at the effective date thereof and affected thereby; but (2) only with the unanimous written consent of the affected Bondholders for any of the following purposes: (i) to extend the maturity of any Bond, (ii) to reduce the principal amount or interest rate of any Bond, (iii) to make any Bond redeemable other than in accordance with its terms, (iv) to create a preference or priority of any Bond over any other Bond of the same class or (v) to reduce the percentage of the Bonds required to be represented by the Bondholders giving their consent to any amendment.

(c) Any amendment shall be accompanied by a Counsel's opinion to the effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

(d) When the State determines that the requisite number of consents have been obtained for an amendment to the Indenture or the Servicing Agreements which requires consents, it shall, file a certificate to that effect in its records and give notice to the Trustee, the Bondholders and the Rating Agencies. The Trustee will promptly certify to the State that it has given such notice to all Bondholders and the Rating Agencies and such certificate will be conclusive evidence that such notice was given in the manner required hereby.

(e) The State will give the Rating Agencies advance notice of any supplements or amendments to the Indenture. Any material changes to the Indenture will require Rating Agency Confirmation.

Supplements and Amendments to the Servicing Agreements

In the event that the Trustee receives a request for a consent or other action under a Servicing Agreement the Trustee may, and if consent or other action by Bondholders is required shall, transmit a notice of such request to each Bondholder and request directions with respect thereto; and the Trustee (and the State, if applicable) shall proceed in accordance with such directions (if any), the Indenture and such Servicing Agreement.

Beneficiaries

The Indenture is not intended for the benefit of and shall not be construed to create rights in parties other than the State, the Fiduciaries, the Bondholders and the other Beneficiaries to the extent specified in the Indenture.

Appendix B

FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State of Connecticut (the "State") will agree, pursuant to a Continuing Disclosure Agreement for the Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement ("Agreement") is made as of June 23, 2004 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of the $205,345,000 Special Obligation Rate Reduction Bonds (2004 Series A) of the State of Connecticut, dated June 23, 2004 (the "Bonds") and Wachovia Bank, National Association, as Trustee (the "Trustee"). The Bonds are special obligations of the State, secured by and payable solely from the collateral described in the Final Official Statement defined below, and are being issued pursuant to an Indenture entered into by the State and the Trustee dated as of June 23, 2004, as supplemented and amended from time to time (the "Indenture") for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the offering circular of the State dated June 9, 2004 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934 as amended, or any successor thereto.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/muni_contactinfo.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7391
http://www.interactivedata.com
Email: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street - 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_decrip_data_rep.html
Email: nrmsir_repository@sandp.com

"Rule" means rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement, no SID has been established or designated by the State of Connecticut.

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each NRMSIR and any SID, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the calendar year ending December 31, 2004) as follows:

Financial statements relating to the trust created under the Indenture, for the prior calendar year, which statements shall consist of a statement of receipts and disbursements and a statement of reserve account balances and shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e., on the basis of the modified cash method of accounting). As of the date of this Agreement, the State also prepares its financial statements in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the calendar year for which such information is being provided.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR, any SID, or the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. Material Events.

The State agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
(g) modifications to rights of holders of the Bonds;
(h) Bond calls;
(i) Bond defeasances;
(j) release, substitution, or sale of property securing repayment of the Bonds; and
(k) rating changes.

In order to assist the State in complying with its undertaking in this Section 3, the Trustee agrees to use its best efforts promptly to notify the State in writing of the occurrence of any of the events listed in (a) - (k) above as to which any officer in the Corporate Trust Administration Department of the Trustee obtains actual knowledge in the course of the performance of the duties of the Trustee under the Indenture; provided, however, that the determination of whether any such occurrence is material shall be a determination to be made by the State and not the Trustee pursuant to its responsibilities under this Agreement.

Section 4. Notice of Failure to Provide Annual Financial Information.

The State agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

Section 6. Termination.

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable

hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds, including, without limitation, an Event of Default under the Indenture, or a breach of any duty or obligation of the Trustee under the Indenture.

Section 8. Miscellaneous.

(a) The State and the Trustee shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than a majority of the aggregate principal amount of the Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with (i) each NRMSIR or the MSRB and (ii) any SID. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(d) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By:_____
Denise L. Nappier
Treasurer

WACHOVIA BANK, NATIONAL ASSOCIATION,
AS TRUSTEE

By:_____
Authorized Officer

Appendix C

FORM OF BOND COUNSEL OPINION

The opinion of Bond Counsel with respect to the Bonds will be dated the date of original issuance of the Bonds and will be substantially in the following form:

June 23, 2004

Honorable Denise L. Nappier
Treasurer, State of Connecticut
Hartford, Connecticut

We have examined a record of proceedings relative to the issuance of $205,345,000 Special Obligation Rate Reduction Bonds (2004 Series A) of the State of Connecticut (the "Bonds"). The Bonds are special obligations of the State of Connecticut and neither the full faith and credit nor the tax power of the State is pledged for the payment of principal and interest on the Bonds.

The Bonds are authorized by Sections 16-245e through 16-245k, 16-245m and 16-245n of the Connecticut General Statutes, as amended, including by Public Act 03-6 of June 30 Special Session and Public Act 03-1 of September 8 Special Session (collectively, the "Act"), and a "financing order" as defined in the Act, adopted by the Department of Public Utility Control on October 28, 2003 pursuant to Docket No. 03-09-08 (the "Financing Order"), and issued pursuant to an Indenture (the "Indenture") dated as of June 23, 2004 between the State of Connecticut acting through the Office of the State Treasurer as the Issuer and Wachovia Bank, National Association, Trustee (the "Trustee"). The net proceeds from the sale of the Bonds will be deposited to the State's general fund. Capitalized terms used herein have the meaning assigned to them in the Indenture unless specifically defined herein.

The Bonds are dated as of June 23, 2004, mature on the dates, in the principal amounts and bear interest from their dated date, payable on December 30, 2004, and semiannually thereafter on December 30 and June 30 in each year until maturity, at the rates per annum, as follows:

Maturity	Principal Amount	Interest Rate
December 30, 2004	$12,605,000	3.00%
June 30, 2005	12,975,000	3.00
December 30, 2005	13,170,000	4.00
June 30, 2006	9,760,000	5.00
June 30, 2006	3,675,000	2.50
December 30, 2006	13,720,000	5.00
June 30, 2007	11,025,000	5.00
June 30, 2007	3,040,000	3.00
December 30, 2007	14,385,000	5.00
June 30, 2008	11,745,000	5.00
June 30, 2008	3,000,000	3.00
December 30, 2008	15,085,000	5.00
June 30, 2009	12,460,000	5.00
June 30, 2009	3,000,000	3.50
December 30, 2009	15,825,000	5.00
June 30, 2010	14,985,000	5.00
June 30, 2010	1,235,000	3.50
December 30, 2010	16,620,000	5.00
June 30, 2011	14,020,000	5.00
June 30, 2011	3,015,000	4.00

The Bonds are payable as to principal at the office of the Trustee in Hartford, Connecticut. Interest on the Bonds is payable to the person in whose name such bond is registered as of the close of business on the 15th day of December and June in each year, by check mailed to such registered owner at such owner's address as shown on the registration books kept by the State or its designated agent.

The Bonds are issuable in the form of registered bonds without coupons in denominations of $5,000 or any integral multiple of $5,000, not exceeding the aggregate principal amount of Bonds maturing in any year. The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, for the purpose of effecting a book-entry system for the ownership and transfer of the Bonds.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Offering Circular or other offering material relating to the Bonds and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Offering Circular and certain matters which are the subject of a supplemental opinion provided by us to the State).

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. In the Tax Compliance Certificate and Agreement (the "Tax Compliance Agreement") the State has made covenants and representations designed to assure compliance with such requirements of the Code. The State has covenanted in the Tax Compliance Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall not be included in the gross income of the owners thereof for federal income tax purposes, retroactively to the date of issue or otherwise, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds.

In rendering the below opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Compliance Agreement, and (ii) continuing compliance by the State with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continues to be, excluded from gross income for federal income tax purposes, as provided in the covenants set forth in the Tax Compliance Agreement as to such matters.

Subject to the foregoing we are of the opinion that:

1. The State has the power to and is authorized to enter into the Indenture and the Agreements including the Servicing Agreements and carry out its obligations thereunder.

2. The Indenture has been duly authorized, executed, and delivered by the State and is a valid binding obligation of the State enforceable against it. The Indenture creates a valid lien on the Revenues including the Transition Property and the other funds pledged by the Indenture as security for the Bonds (except for certain rights of the State and the Servicers to reimbursements and fees).

3. The Bonds have been duly authorized by and executed by the State and when authenticated by the Trustee shall be binding limited obligations of the State payable solely from the Revenues and other pledged assets. The Bonds are rate reduction bonds as defined in the Act.

4. By operation of Section 16-245k(g) the Act creates, upon the effective date of the Financing Order, a first priority lien on all Transition Property securing all obligations then existing or subsequently arising, to the Bondholders in respect to the Bonds or to the Trustee in its capacity as such and any other entity specified in the Financing Order including the State; upon the effectiveness of the Financing Order, such lien will be valid, perfected and enforceable without further notice.

5. The provisions of the Indenture create in favor of the Trustee a security interest under Article 9 of the Connecticut Uniform Commercial Code from the State in the respect to the Servicing Agreements, and all accounts, general intangibles and proceeds arising therefrom (the "UCC Collateral"); upon the giving of value by the Trustee with respect to such security interest, such interest will attach to the UCC Collateral as it comes into existence; the financing statement which described the UCC Collateral has been presented for filing in the offices of the Secretary of State of Connecticut and all requisite fees therewith have been paid in accordance with Article 9 and such is sufficient to perfect the security interest in the UCC Collateral granted. The Servicing Agreements have been duly authorized, executed and delivered by the State and are duly enforceable against it.

6. The State has included in the Bonds the State's pledge and agreement with the owners of the Transition Property and the Bondholders of outstanding Bonds that the State shall neither limit nor alter the Competitive Transition Assessment, Transition Property, Financing Order, and all rights thereunder until the Bonds, together with the interest thereon, are fully met and discharged, or until adequate provision shall be made by law for the protection of the owners and Bondholders.

7. The Bonds do not constitute a pledge of the full faith and credit of the State or any of its political subdivisions, but shall be payable solely from the funds provided under the Act, and shall not constitute an indebtedness of the State within the meaning of any constitutional or statutory debt limitation or restriction and, accordingly, shall not be subject to any statutory limitation on the indebtedness of the State and shall not be included in computing the aggregate indebtedness of the State in respect to and to the extent of any such limitation. The issuance of the Bonds shall not directly, indirectly, or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation therefor or to make any appropriation for their payment.

8. Under existing law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in determining adjusted current earnings for purposes of computing such tax.

9. Under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purpose of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

We express no opinion regarding other federal or state consequences of the ownership or the receipt or accrual of interest on the Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds, Indenture, and Servicing Agreements may be limited by bankruptcy or insolvency or other laws affecting creditors' rights generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Section 9-315 of the Connecticut Uniform Commercial Code may operate to limit rights of the Trustee and Bondholders of the first priority lien under Section 16-245k(g) of the Act in proceeds of Transition Property.

Respectfully yours,

PULLMAN & COMLEY, LLC

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