ACCOUNTING FOR UNCERTAIN TAX POSITIONS

I. Purpose

To describe the requirements for accounting for uncertain tax positions in accordance with generally accepted accounting principles (GAAP).

II. Background

Financial Accounting Standards Codification (ASC) 740-10, "Accounting for Uncertainty in Income Taxes" provides the requirements for accounting for tax positions that are considered to be uncertain.

A tax position is defined as a position taken in a previously filed tax return or that an enterprise expects to take in a future tax return. The term also encompasses, but is not limited to:

- A decision not to file a tax return
- An allocation or a shift of income between jurisdictions
- The characterization of income or a decision to exclude reporting taxable income in a tax return
- A decision to classify a transaction, entity, or other position in a tax return as tax exempt

III. Policy

Eversource accounts for all uncertain tax positions in accordance with ASC 740-10. ASC 740-10 requires that all material[1] tax positions be identified and assessed utilizing a two-step approach, recognition and measurement. The first step is recognition, which provides that a tax benefit arising from a material tax position cannot be recognized unless it is more likely than not that the position will ultimately be sustained. If a material tax position meets the recognition criteria, the measurement step provides that the amount of tax benefit that is recorded is the largest amount that is greater than 50 percent likely (more likely than not) of being realized. In the assessment of these two steps, it is assumed that the tax authority will review the tax position, has full knowledge of all relevant information, and that each tax position is evaluated without consideration of offset or aggregation with other tax positions.

For material tax positions that are determined to be uncertain, Eversource first applies the recognition step of ASC 740-10 and derecognizes tax benefits associated with tax positions that are not more likely than not to be sustained based upon the ASC 740-10 criteria. Eversource then applies the measurement step to those tax positions that meet the recognition standard and

[1] Questions related to materiality should be evaluated with the guidance included in APS 23, "Materiality Considerations in Financial Reporting".

derecognizes an appropriate amount of the tax benefits such that the largest amount greater than 50 percent likely to be realized remains on Eversource's financial statements.

On a quarterly basis, Eversource re-assesses the uncertain tax positions based upon any events that occur during the quarter that cause a change in Eversource's judgment regarding recognition or measurement. In addition, any new material tax positions that arise during the quarter are evaluated and documented. Based upon the re-assessment, Eversource updates its computations regarding the recognition of uncertain tax benefits, including interest and penalties, if necessary. These computations support quarterly journal entries to adjust the amount of tax benefits recorded in the normal provision process to that amount required under ASC 740-10.

IV. Responsibilities

Tax Department Responsibilities

- Developing and maintaining an inventory documenting Eversource's material uncertain tax positions. A memo supporting each material position is maintained on file in the Tax Department after being approved by the Director of Taxes and the Vice President, Controller and Chief Accounting Officer.

- Determining the recognition and appropriate measurement of the position, including any applicable interest and/or penalties, and posting any and all necessary journal entries in compliance with APS 16, "Journal Entry Approval".

- Working with the financial reporting function and the Disclosure Committee, as required, to ensure that all appropriate disclosures are made.

Financial Reporting Responsibilities

- Ensuring that ASC 740-10 disclosure requirements are being met.

- Ensuring that the Disclosure Committee is aware of and approves disclosures in the financial statements and Management Discussion and Analysis regarding uncertain tax positions.

Revision History

0	Original issue	12/14/12
1	Revised for Eversource name	02/26/19
3	Revised to reference ASC 740-10	02/24/23