PRELIMINARY SURVEY AND INVESTIGATION COSTS

Introduction

This Eversource policy and related procedures for preliminary survey and investigation costs are based on the FERC chart of accounts, accounting standards and industry practices. It is imperative that Eversource's business records are prepared accurately and reliably. They are of critical importance in meeting financial, regulatory, legal and management obligations.

Policy Objectives and Scope

This policy provides clarification of the accounting for preliminary survey and investigation and similar costs of transmission and distribution projects. It encompasses both electric distribution and gas distribution. Clarification is needed in view of expanding regional and local project development costs associated with projects and alternative solutions to projects as well as competitive projects inside and outside Eversource’s franchise territory.

This policy provides criteria for determining the appropriate accounting for costs incurred in support of preliminary survey and investigation and similar activities.

Preliminary survey and investigation costs include expenditures for preliminary surveys, plans, studies and investigations made for the purpose of developing a proposal for and determining the feasibility of an electric or gas distribution project or electric transmission project under contemplation. This is a stage during which the need for a project has generally been identified, but a solution has not yet been chosen.

It is imperative to ensure that costs related to projects outside of Eversource’s franchise territory are not expensed and collected from the customers in Eversource’s franchise territory, as that recovery would not be appropriate.

This policy does not apply to maintenance projects.

Responsibilities

The Vice President, Controller and Chief Accounting Officer, in conjunction with the Executive Vice President and Chief Financial Officer, determines Company policy for recording internal and external costs based on regulatory requirements, accounting standards, management directives and sound business practices.

Accounting is responsible for verifying that costs are accounted for appropriately and for resolving questions about policy application and interpretation when there are new developments, circumstances, or types of transactions for which the accounting is not straightforward. Accounting is also responsible for approving the transfer of costs of projects from expense to regulatory assets if and when recovery is deemed probable.

Eversource electric transmission, electric distribution, and gas distribution representatives are responsible for maintaining and communicating procedures and charging instructions for preliminary survey and investigation costs of projects that comply with the objectives of this policy.

Management (including officers, directors, managers and supervisors) is responsible for ensuring that their employees' time is charged appropriately and that non-labor costs are charged appropriately. Management should ensure that Accounting has been consulted when there is uncertainty about the application of this policy.

Each employee is responsible for ensuring that time worked is charged properly using appropriate time and accounting codes and should consult with their supervisor when in doubt about what accounting codes to use for time and/or non-labor costs.

Types of Preliminary Survey and Investigation Costs and Related Accounting

The appropriate accounting will vary depending on the type of preliminary survey and investigation costs being incurred (including whether the cost is associated with a reliability project in the Eversource territory or with a competitive project). The following are the accounting policies for the types of costs and guidelines for implementation of these policies. Refer to the Transmission Project Development (TPD) Cost Charging Procedures for examples of these types of costs.

Reliability Projects in Eversource's Franchise Territory

Policy

Preliminary survey and investigation costs on Eversource transmission projects proposed to meet an ISO identified reliability need in the Eversource territory qualify for regional cost recovery and should be recorded by the applicable Eversource operating companies to Account No. 183, Preliminary Survey and Investigation Charges, through a specific work order until a solution for the proposed project has been selected. Once the project has been approved and a solution selected, the costs should be transferred to Account No. 107, Construction Work in Progress, if construction is expected to result. If the project is not expected to go forward, then the costs should be expensed to a transmission operating expense account for recovery from transmission customers or deferred as an abandoned plant regulatory asset if cost recovery is to be sought and is determined to be probable.

Preliminary survey and investigation costs on Eversource gas or electric distribution projects proposed to meet an identified reliability or capacity need in the Eversource territory qualify for recovery and should be recorded by the applicable Eversource operating companies to Account No. 183, Preliminary Survey and Investigation Charges, through a specific work order until a solution for the proposed project has been selected. Thereafter, the costs should be transferred to Account No. 107, Construction Work in Progress, if construction is expected to result. If the project is not expected to go forward, then the costs should be expensed to a distribution operating expense account to be selected in consultation with both Investment Planning and Plant Accounting.

Guidelines—Transmission

Until a specific transmission need has been identified and approved by the ISO and management, the costs of ongoing New England system work, including needs assessment, problem identification and initiating a study with the ISO, should be charged to the Engineering and Supervision account for recovery from transmission customers in

formula rates.

Once a specific transmission need has been identified and approved and the concept project phase has begun, preliminary survey and investigation costs for Eversource projects for which a solution has not yet been selected, should be charged to Account No. 183, including labor, non-labor and outside service costs.

When a solution for the Eversource transmission project has been selected, the accounting is as follows:

> If the Eversource transmission organization solution has been accepted, these costs should then be transferred from Account No. 183 to Account No. 107 (Construction Work in Progress – Electric) and included in a capital work order to be established for the project.
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> If the Eversource transmission organization solution has not been accepted, then there are mechanisms for recovery of prudently incurred preliminary survey and investigation charges. Management judgment is required in determining subsequent collection and accounting, giving consideration to all facts and circumstances. In accordance with the FERC Uniform System of Accounts, the operating company may seek approval from FERC and, if approval is obtained transfer the balance in Account No. 183 to 182.2 (Unrecovered Plant and Regulatory Costs) or transfer the costs to the most appropriate above the line transmission operating expense account within the 561 through 566 account range for recovery in formula rates from New England transmission customers. Any costs for which recovery is not deemed probable should be transferred to Account No. 426.5 (Other Deductions).

Preliminary survey and investigation costs incurred by an Eversource operating company as a Participating Transmission Owner in order to understand other developers' transmission projects impacting our territory should be charged to an appropriate O&M account for recovery from transmission customers in formula rates.

In the unlikely event that an Eversource operating company incurs costs in planning and developing solutions outside of our territory, those costs should not be charged to an O&M account for recovery from New England transmission customers. In these circumstances, charging instructions should be obtained from Transmission representatives in consultation with Accounting.

Guidelines—Electric Distribution and Gas Distribution

Until a specific distribution need has been identified and approved by management, the costs of ongoing system work, including needs assessment, problem identification and initiating a study, should be charged to an appropriate distribution account to be determined in consultation with both Investment Planning and Plant Accounting.

Once a specific distribution need has been identified and approved and the concept project phase has begun, preliminary survey and investigation costs for Eversource projects for which a solution has not yet been selected should be charged to Account

No. 183, including labor, non-labor and outside service costs.

When a solution for the Eversource distribution project has been selected, the accounting is as follows:

If the Eversource distribution organization solution has been accepted, these costs should then be transferred from Account No. 183 to Account No. 107 (Construction Work in Progress – Electric) and included in a capital work order to be established for the project.

If the Eversource distribution organization solution has not been accepted, then the costs should be expensed to the appropriate distribution operating expense account to be selected in consultation with both Investment Planning and Plant Accounting.

Competitive Projects - Transmission

Policy

Planning and preliminary survey and investigation costs of competitive projects under FERC Order 1000, including Public Policy projects or other state sponsored competitive bid proposals (e.g., the Clean Energy request for proposal), and other competitive processes should not be included in the transmission formula rates of the Eversource operating companies. These costs relate to those that are incurred in the planning and development of solutions in response to a competitive request for proposal (RFP) either inside or outside of New England.

Cost recovery for these types of project costs is not necessarily available and when available, will require adherence to appropriate charging procedures. Cost recovery may be outlined in an RFP issued by the RFP sponsor such as a Regional Transmission Organization (RTO) or state(s) seeking solutions to a Public Policy proposal. Eversource or a subsidiary of Eversource, as a Transmission Developer, may request from FERC the establishment of a formula rate and protocol to collect costs, including incentives, from customers. Additionally, Eversource management may consider other cost recovery mechanisms based on the specifics of the RFP and the proposed project.

Given the uncertainties and variety of recovery mechanisms for preliminary survey and investigation costs under various possible competitive bid scenarios, preliminary survey and investigation costs relating to both FERC Order 1000 projects and other competitive bid processes should be accounted for under the specific cost charging instructions issued by Investment Planning. This will ensure that the appropriate customers (or shareholders) are charged for preliminary survey and investigation costs at the correct point in the life of the transmission project.

Guidelines

If the sponsoring organization of a competitive solicitation issues specific mechanisms for cost recovery, those will be the basis for Investment Planning's charging

instructions. If no specific charging instructions are provided by the sponsoring organization and no recovery mechanism is initially expected and outlined by management, then costs should initially be expensed to Account No. 426.5 (Other Deductions).

Costs for which it is subsequently determined that no recovery is applicable require no further accounting. If the project goes forward, once approval of a cost recovery mechanism is obtained, then it is possible that the costs would be included in plant in consultation with both Investment Planning and Plant Accounting.

Revision History

0	Original issue	3/05/15
1	Clarifications for responsibilities and project types	6/05/15
2	Updated to apply to additional project types outside of the Transmission business	7/31/25