ACCOUNTING FOR REAL ESTATE TRANSACTIONS

I. Policy

The objective of this Statement is to describe Company policies and responsibilities related to the accounting for real estate transactions. The guidelines described in this Statement apply to all Eversource companies, collectively referred to as "the Company".

The Eversource companies own real estate primarily in Connecticut, Massachusetts and New Hampshire. Real estate, such as land and land rights, may be owned to serve a utility purpose (e.g., land with a substation built on it); it may have a planned, future utility use (e.g., land which will have a substation built on it); or it may have no planned utility purpose (e.g., a parcel adjacent to land containing a substation).

The accounting for real estate transactions is governed by generally accepted accounting principles (GAAP), regulations as defined by the Federal Energy Regulatory Commission (FERC) and state regulatory requirements, as appropriate. This policy is in place to ensure that real estate transactions are properly communicated to Accounting so they can be properly accounted for and classified in accordance with applicable requirements.

II. Responsibilities

Real Estate Department or initiating department – The Real Estate Department (Real Estate) or other initiating department is responsible for notifying Plant Accounting prior to and when the acquisition, transfer of interests, and/or a sale of real estate occurs. Real Estate is responsible for obtaining necessary management and regulatory approvals for the sale of property.

Accounting Department - The Accounting Department is responsible for providing accounting guidance upon request prior to a transaction for planning purposes and for properly accounting for real estate transactions based upon the information provided about the property by the Real Estate Department and/or other initiating department. Initial inquiries should be directed to the Manager of Plant Accounting. Significant or complex real estate transactions must be documented and communicated to Accounting Policy and Research to ensure compliance with GAAP. Plant Accounting is responsible for maintaining accurate, updated accounting records on real estate owned by the Company.

The Tax Department is responsible for maintaining specific information related to the assessed value and municipal taxes on real property.

III. Accounting

1. Acquisitions

All property acquired by the Company is recorded in one of the following FERC balance sheet accounts:

Account 101 - Utility Plant in Service
Account 105 - Utility Plant Held for Future Use
Account 121 - Nonutility Property

When real estate is to be acquired by the Company, a work order must be initiated by the Real Estate Department or other initiating department. For property acquired for a utility purpose (Account 101), the work order also identifies the plant account in which the property will be recorded. If the property has an expected/planned future utility use (Account 105), the work order must identify the nature and expected date of the planned utility use. Property which has no expected utility use is recorded in Account 121, Nonutility Property.

2. Transfers

A reclassification of real estate is made when a change or anticipated change in functional use is determined. Real estate is transferred from one account to another when:

- Property held for future use is placed in service.
- Property held for future use is determined to have no expected utility purpose.
- Utility property is taken out of service but is held for future use at a specified date.
- Utility property is taken out of service and has no further expected utility purpose.
- Nonutility property is determined to have a current utility purpose and is placed in service.
- Nonutility property is determined to have a planned utility purpose at a specific future date.

Reclassification of real estate in any of the above circumstances must be communicated to Plant Accounting by the department identifying that a change in use has or will occur. Any request for transfer must specify the reason for the transfer, and the accounting for the transaction must be determined in accordance with GAAP. All property recorded in Account 105 must have a planned utility use and a reasonable expected date for that use.

3. Sales or Exchanges

For sales, a sale work order must be initiated by the Real Estate Department or other initiating department for all sales of real estate. For exchanges, the initiating department communicates transactions to Accounting. Plant Accounting determines the original cost information necessary to account for the sale or exchange and coordinates within Accounting to account for the sale or exchange transaction.

Gains or losses are recorded from the sale or exchange of real estate considering GAAP and FERC guidance.

Accounting, Real Estate and Legal work together to meet the specific transactional reporting requirements of FERC and state regulators for sales or transfers of property.

Income taxes on gains from real estate sales or reductions in taxes attributable to losses from real estate sales are included in the appropriate subdivision of Account 409, Income Taxes.