

Northeast Utilities

Accounting Policy Statement No. 1
Corporate / Shared Services Project Authorization

Policy Statement

Project authorization includes the evaluation, decision-making, and approval of all projects. A project is defined as a commitment of internal and/or external company resources to accomplish a task or receive a service. Projects include:

- Purchase or development of information technology software and hardware, installations and upgrades
- Purchase of equipment, fixed assets and real estate
- Facilities and environmental capital projects
- Other corporate / shared services projects taken on by the parent or service company
- Projects related to unregulated companies

Other projects that have a significant impact on NU, such as a large maintenance project, should be considered as to whether or not the requirements of this policy should be followed.

The overall policy is that projects should be evaluated and approved by the appropriate levels of authority, as dictated by Accounting Policy Statement No. 5 *Authorization and Approval* (APS5) or the *Delegation of Authority* policy, prior to the commitment of company resources.

Applicability of this Policy

This policy applies to projects that are expected to result in at least a $500,000 commitment of company resources, including capital and expense outlays to get the project ready for its intended use. It applies to corporate and shared services projects and unregulated company projects. It does not apply to regulated utility projects.

All projects, regardless of size, are required to follow purchasing controls and be authorized in accordance with APS5.

Other policies, charters or committees that govern projects of NU may introduce requirements in addition to the requirements of this policy. However, this policy shall not be replaced in any way by any other policy or procedure, but rather those existing policies, charters or committees can augment what is required by this policy.

This policy does not apply to energy supply obligations, which are monitored and approved by the NU Energy Risk Management Committee.



Authorization Process

Use of a Project Authorization Form (PAF)

For projects that do not need to be approved by subsidiary boards in accordance with APS5, a PAF must be completed to carry out the evaluation, decision-making, and approval required by this policy. The items included in the Project Evaluation Criteria below should be reflected in the PAF in sufficient detail and with explanations so that the approver is fully informed and can make a knowledgeable approval decision. A template of the PAF is included at the end of this policy. The PAF needs to be completed for all projects to which this policy applies, even when other documents have been completed in accordance with a separate policy or procedure. The PAF must be approved according to the levels in APS5.

It is expected that the level of detail included in the PAF be commensurate with the size and complexity of the project. The cost information included in the PAF should represent the costs for the entire project, including, but not limited to, direct costs, internal labor, internal indirect costs (overheads and loaders) and an estimate for capitalized interest or AFUDC, as applicable. Any amount of contingency included in the project should also be included in the cost estimate in the PAF and described.

Whenever possible and to the extent possible, the PAF should be completed during the capital planning process.

Questions concerning completion of the PAF should be directed to the Director, Budget and Internal Reporting or designee.

For projects that need to be approved by subsidiary boards in accordance with APS5, presentation materials may be produced in addition to or in lieu of the PAF, but the items included in the Project Evaluation Criteria section of this policy should be included in the presentation materials or should be evaluated in addition to those materials. Subsidiary board resolutions or minutes shall constitute approval documentation, although a completed and approved PAF may be included with the documentation.

In an emergency there may not be sufficient time to complete a PAF before a commitment is made. In such cases, the project sponsor must initiate the project and obtain approval via the signature page of the unfinished PAF as soon as practicable. The remainder of the PAF should be completed as soon as practicable.



Information Technology (IT) Projects

For IT projects, the PAF should address the additional evaluation criteria for IT projects. Given the unique considerations related to IT projects, a PAF for an IT project, regardless of size (i.e., $500,000 or above), must also be approved by the Vice President and Chief Information Officer, or a designee in addition to approvals through the appropriate levels of authority in accordance with APS5.

Facilities and Environmental Projects

Given the unique considerations to Facilities and Environmental based projects, all of these types of projects (i.e., $500,000 or above) must also be approved by the Vice President, Supply Chain, Environmental Affairs and Property Management, or a designee.

Project Classifications

PAFs should be viewed and classified as follows:

- Projects need to have a PAF and apply to projects, programs and initiatives associated with one or more companies. Approvals should be obtained at the levels of authority based upon the total project commitment amount.

- Annuals represent many similar, small, and/or routine capital jobs performed over the course of a year for which one PAF can be prepared.

- Authorization for Additional Resources may result from changes in scope and/or cost overruns and will require amended approval and require additional approvals as indicated under “Authorization Process for Additional Resources” below.

- Preliminary Projects represent requests for authorization of expenditures for work during the preliminary stage of a project where evaluation work, such as preliminary study, engineering, environmental surveys, and other similar work may be done (likely expense in nature and not capital). Preliminary Project authorizations may not be transferred into another project or another phase of the same project.

Only an Approved PAF or Subsidiary Board Approval Constitutes Approval

Neither project initiation nor inclusion of a project in the annual capital budget constitutes project approval. Final approval of a completed PAF or subsidiary



board approval is required before commitment of company resources, including construction, development, or system integration, can occur.

The project initiator should prepare the necessary documentation and plan for the appropriate timing for submission and approval.

Project approval is specific to that project, and approved amounts may not be transferred between projects or programs.

Authorization Process for Additional Resources

If a project is expected to exceed the original authorized dollar amount, then the project owner/manager or project initiator is responsible for submitting an updated PAF with a new requested dollar amount as soon as it is likely that the project is expected to increase from the original authorized dollar amount by the lesser of 15 percent of the original project cost or $1.5 million.

The supplemental authorization should include an estimate of the additional costs expected to complete the project. Prior to spending any additional funds, the new PAF should be routed to and approved by the appropriate approvers in accordance with APS5 with the fact that the approval is for additional resources clearly indicated for the approvers.

The Vice President, Controller and Chief Accounting Officer or designee must approve PAFs for projects with increases of $1 million and above.

Additional Reviews

Other groups may benefit from reviewing in process or completed PAFs. For example, merger integration projects should be reviewed by the Vice President, Rates and Regulatory Requirements to determine whether the project qualifies under merger integration criteria. These reviews can take place at any time; however, to ensure the timeliness of the approval process, these reviews done outside of the normal approval authority levels should not be done within the PAF approval process.

All completed and approved PAFs or subsidiary board presentation and approval materials shall be sent to Plant Accounting or housed in PowerPlant and are subject to inspection or review at any time. In addition, PAFs or board materials shall be made available to the Director, Budget and Internal Reporting and the Vice President, Rates and Regulatory Requirements, or a designee.



Project Evaluation Criteria

The information below should be provided in order for an approver to evaluate a project subject to this policy. The extent of the information provided should increase along with the size, complexity, and risk of the project.

- General information
  - Project name, company and identification number
  - Project sponsor and project owner/manager
  - Indicate if the project is part of the approved Operating Plan for the year (capital and O&M budgets)
  - Indicate if this is for additional resources; if so, the reason for additional funding
  - Indicate if the project is for merger integration (temporary)
  - Project timing and estimated in-service date
- Executive summary
- Overall justification
  - Problem statement
  - Project objectives
  - Project benefits, including business performance metrics; describe assumptions used to estimate benefits and customer impacts
  - Alternatives considered
  - Assessment of solutions utilized by and applicability to other NU companies
  - Safety assessments
- Financial evaluation
  - Schedule and milestones
  - Unique payment provisions
  - Project cost in total and by year, including
    - Direct capital costs (labor, outside services, materials and all other costs associated with getting the project ready for its intended use)
    - Indirect capital costs (including loaders and allocators)
    - An estimate of capitalized interest or AFUDC, as applicable
    - O&M costs
    - Contingency amounts, including assumptions and calculations, and justification
    - Indicate if project costs are in the approved Operating Plan, or if not, if this project will replace another project or expenditure
  - Project-related future costs, including whether or not they are in the approved Operating Plan
  - Financial benefits generated from the project, including whether or not they are in the approved Operating Plan
  - IRR, NPV, and payback period if applicable



- Regulatory considerations and regulatory approvals required, if any
- Risks and risk mitigation plans; risks to be considered include
  - Construction
  - Customer/reputational/regulatory
  - Schedule
  - Financial
  - Environmental
  - IT (if applicable)
- Additional evaluation criteria for IT projects
  - Applications impacted, including interfaces and interdependencies, and implications (diagram may be helpful)
  - Assessment of fit in overall IT strategy
  - Controls over migration
  - Change management plan including impacts to business processes
  - Business continuity and SOX assessments

Responsibilities

- The project initiator is responsible for
  - Proposing the project
  - Preparing the PAF and/or other material that may be presented to the subsidiary boards
  - Involving the appropriate personnel (e.g., accounting, financial, regulatory, legal) to assist with documenting the evaluation criteria
  - Routing the PAF for authorization

- The project owner/manager is responsible for
  - Assisting with the project initiator's responsibilities
  - Ensuring that consultation has occurred with appropriate areas as needed to avoid unexpected issues after the project is approved, e.g. in Plant Accounting, Budgeting, and Regulatory
  - Managing the project authorization
  - Overseeing the project

- An area Director or Vice President or above is responsible for sponsoring the project

- The NU Enterprise Risk Management group is responsible for assisting project owners/managers in identifying risks and risk mitigation plans for all projects requiring either subsidiary board approval or approval by the Chief Executive Officer



- The Financial Planning and Analysis group is responsible for assisting project owners/managers in completing the financial evaluation for all projects requiring either subsidiary board approval or approval by the Chief Executive Officer

- All project owners/managers should work with Plant Accounting to ensure that the PAF has a proper break-out of capital and O&M amounts prior to submitting through the delegation of authority

Policy Sponsorship

The Executive Vice President and Chief Financial Officer is the sponsor of this policy. The Vice President, Controller and Chief Accounting Officer is responsible for the administration of this policy.

Revision History

0 Original Issue – May 3, 2013



Northeast Utilities

Project Authorization Form

General Information

Date Prepared: _____

Project Title: _____

Class(es) of Plant _____

Project Initiator: _____

Project Owner/Manager: _____

Project Sponsor: _____

Project ID Number: _____

Organization: _____

Company: _____

Part of Original Operating Plan?	Yes / No	
O&M Expenses Part of the Original Operating Plan?	Yes / No	
Authorization for additional resources?	Yes / No	If so obtain required VP approval
Project purpose: merger integration?	Yes / No	
Timing of project	_____	
Estimated in service date	_____	

Project _____ Annual _____ Preliminary _____



Northeast Utilities

Executive Summary

Project Costs Summary

See APS3 and APS8 requirements and consult with Plant Accounting for capital/O&M determination. Use published loaders for benefits, materials, and invoices, maintained by the Director, Budget and Internal Reporting.

	Prior Authorized Amount (if applicable)	Amount of This Authorization	Total Project Cost
Capital	$	$	$
O&M	$	$	$
Total	$	$	$

Summary Project Description



Northeast Utilities

Project Authorization

Project authorization below must be in accordance with the approval levels included in Accounting Policy Statement No. 5 *Authorization and Approval* (APS5).

Approver	Approver Name	Approver Signature	Date
Project initiator			
Project manager			
APS5			
APS5			
CIO or VP, Supply Chain, Environmental Affairs and Property Management or their designee *			

* For IT or Facilities and Environmental projects only

Overall Justification

Describe the proposed project below.

Problem statement

_____

_____

_____

_____

Project objectives

_____

_____

_____

_____

_____



Northeast Utilities

Project scope

Quantitative and qualitative project benefits, including assumptions used to estimate benefits and customer impacts; describe the changes in performance to the business process or technology performance metrics that can be expected as a result of this project

Alternatives considered

Assessment of solutions utilized by and applicability to other NU Companies

Safety assessments

Financial Evaluation

Describe the project schedule and milestones



Northeast Utilities

Explain unique payment provisions, if applicable

_____

_____

Provide the following financial information (attach additional detail if summarized items are significant)

Direct Capital Costs	Year 1	Year 2	Year 3	Total Direct Capital Costs
Labor				
Outside services				
Materials				
Other, including contingency amounts (describe)				
Total				

Indirect Capital Costs	Year 1	Year 2	Year 3	Total Indirect Capital Costs
Benefits				
Loaders				
Capitalized interest or AFUDC, if any				
Other, including contingency amounts (describe)				
Total				

Total Capital Costs				

Total O&M Costs				

Indicate what costs above are in the approved Operating Plan (capital and O&M plans), and if not, indicate if there is another project that this project will replace

_____

_____

_____



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Provide below and describe the estimated future costs that will result from the project

Future Costs	Year 1	Year 2	Year 3	Total Future Project Costs
O&M				
Capital				
Other (describe)				
Total				

Indicate what costs above are in the approved Operating Plan, and if not, indicate if there are other costs that will be reduced

_____

_____

_____

Provide below and describe the estimated financial benefits that will result from the project

Financial Benefits	Year 1	Year 2	Year 3	Total Financial Benefits
O&M				
Capital				
Revenues				
Other (describe)				
Total				

Indicate whether or not the financial benefits are or will be included in the Operating Plan

_____

_____

What is the project's IRR? _____

What is the project's NPV? _____

What is the project's payback period? _____



Use appropriate discount rate by company (can be provided by Budgeting and Internal Reporting or Financial Planning and Analysis).

If the above items are not applicable, explain why (e.g., if negative but there other reasons to proceed)

Regulatory Approvals

Indicate what regulatory approvals are needed for the project

Risks and Risk Mitigation Plans

Describe the applicable risks and associated risk mitigation plans: e.g., construction, customer, reputational, schedule, financial, regulatory, environmental and IT risks. Indicate discussions with relevant subject matter experts.

Authorization Criteria Specific to IT Projects

Describe the applications that are impacted and include information regarding the interfaces and interdependencies related to this IT project (diagrams may be considered to assist in review and approval)



Assess the fit of this IT project with the overall IT strategy

_____

_____

_____

Describe control matters, such as the processes for data migration, change management plan including impacts to business processes, data maintenance controls, whether or not this IT project will be or impacts a Sarbanes-Oxley critical application, and the business continuity plan

_____

_____

_____



Northeast Utilities

Policy Statement

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- Purchase or development of information technology software and hardware, installations and upgrades
- Purchase of equipment, fixed assets and real estate
- Facilities and environmental capital projects
- Other corporate / shared services projects taken on by the parent or service company
- Projects related to unregulated companies

Other projects that have a significant impact on NU, such as a large maintenance project, should be considered as to whether or not the requirements of this policy should be followed.

The overall policy is that projects should be evaluated and approved by the appropriate levels of authority, as dictated by the *Delegation of Authority Policy* (DOA), prior to the commitment of company resources.

Applicability of this Policy

This policy applies to projects that are expected to result in at least a $500,000 commitment of company resources, including capital and expense outlays to get the project ready for its intended use. It applies to corporate and shared services projects and unregulated company projects. It does not apply to regulated utility projects.

All projects, regardless of size, are required to follow purchasing controls and be authorized in accordance with the DOA.

Other policies, charters or committees that govern projects of NU may introduce requirements in addition to the requirements of this policy. However, this policy shall not be replaced in any way by any other policy or procedure, but rather those existing policies, charters or committees can augment what is required by this policy.

This policy does not apply to energy supply obligations, which are monitored and approved by the NU Energy Risk Management Committee.



Authorization Process

Use of a Project Authorization Form (PAF)

For projects that do not need to be approved by subsidiary boards in accordance with the DOA, a PAF must be completed to carry out the evaluation, decision-making, and approval required by this policy. The items included in the Project Evaluation Criteria below should be reflected in the PAF in sufficient detail and with explanations so that the approver is fully informed and can make a knowledgeable approval decision. A template of the PAF is included at the end of this policy. The PAF needs to be completed for all projects to which this policy applies, even when other documents have been completed in accordance with a separate policy or procedure. The PAF must be approved according to the levels in the DOA.

It is expected that the level of detail included in the PAF be commensurate with the size and complexity of the project. The cost information included in the PAF should represent the costs for the entire project, including, but not limited to, direct costs, internal labor, internal indirect costs (overheads and loaders) and an estimate for capitalized interest or AFUDC, as applicable. Any amount of contingency included in the project should also be included in the cost estimate in the PAF and described.

Whenever possible and to the extent possible, the PAF should be completed during the capital planning process.

Questions concerning completion of the PAF should be directed to the Director, Budget and Internal Reporting or designee.

For projects that need to be approved by subsidiary boards in accordance with the DOA, presentation materials may be produced in addition to or in lieu of the PAF, but the items included in the Project Evaluation Criteria section of this policy should be included in the presentation materials or should be evaluated in addition to those materials. Subsidiary board resolutions or minutes shall constitute approval documentation, although a completed and approved PAF may be included with the documentation.

In an emergency there may not be sufficient time to complete a PAF before a commitment is made. In such cases, the project sponsor must initiate the project and obtain approval via the signature page of the unfinished PAF as soon as practicable. The remainder of the PAF should be completed as soon as practicable.



Information Technology (IT) Projects

For IT projects, the PAF should address the additional evaluation criteria for IT projects. Given the unique considerations related to IT projects, a PAF for an IT project, regardless of size (i.e., $500,000 or above), must also be approved by the Vice President and Chief Information Officer, or a designee in addition to approvals through the appropriate levels of authority in accordance with the DOA.

For projects involving Software as a Service (SaaS) or other agreements involving the right to use software, prior to project authorization a separate analysis is required to be completed and approved by Plant Accounting and Budgeting and Internal Reporting.

Facilities and Environmental Projects

Given the unique considerations to Facilities and Environmental based projects, all of these types of projects (i.e., $500,000 or above) must also be approved by the Vice President, Supply Chain, Environmental Affairs and Property Management, or a designee.

Project Classifications

PAFs should be viewed and classified as follows:

- Projects need to have a PAF and apply to projects, programs and initiatives associated with one or more companies. Approvals should be obtained at the levels of authority based upon the total project commitment amount.

- Annuals represent many similar, small, and/or routine capital jobs performed over the course of a year for which one PAF can be prepared.

- Authorization for Additional Resources may result from changes in scope and/or cost overruns and will require amended approval and require additional approvals as indicated under “Authorization Process for Additional Resources” below.

- Preliminary Projects represent requests for authorization of expenditures for work during the preliminary stage of a project where evaluation work, such as preliminary study, engineering, environmental surveys, and other similar work may be done (likely expense in nature and not capital). Preliminary Project authorizations may not be transferred into another project or another phase of the same project.



Only an Approved PAF or Subsidiary Board Approval Constitutes Approval

Neither project initiation nor inclusion of a project in the annual capital budget constitutes project approval. Final approval of a completed PAF or subsidiary board approval is required before commitment of company resources, including construction, development, or system integration, can occur.

The project initiator should prepare the necessary documentation and plan for the appropriate timing for submission and approval.

Project approval is specific to that project, and approved amounts may not be transferred between projects or programs.

Authorization Process for Additional Resources

If a project is expected to exceed the original authorized dollar amount, then the project owner/manager or project initiator is responsible for submitting an updated PAF with a new requested dollar amount as soon as it is likely that the project is expected to increase from the original authorized dollar amount by the lesser of 15 percent of the original project cost or $1.5 million.

The supplemental authorization should include an estimate of the additional costs expected to complete the project. Prior to spending any additional funds, the new PAF should be routed to and approved by the appropriate approvers in accordance with the DOA with the fact that the approval is for additional resources clearly indicated for the approvers.

The Vice President, Controller and Chief Accounting Officer or designee must approve PAFs for projects with increases of $1 million and above.

Additional Reviews

Other groups may benefit from reviewing in process or completed PAFs. These reviews can take place at any time; however, to ensure the timeliness of the approval process, these reviews done outside of the normal approval authority levels should not be done within the PAF approval process.

All completed and approved PAFs or subsidiary board presentation and approval materials shall be sent to Plant Accounting or housed in PowerPlant and are subject to inspection or review at any time. In addition, PAFs or board materials shall be made available to the Vice President, Rates and Regulatory Requirements, or a designee.



Project Evaluation Criteria

The information below should be provided in order for an approver to evaluate a project subject to this policy. The extent of the information provided should increase along with the size, complexity, and risk of the project.

- General information
  - Project name, company and identification number
  - Project sponsor and project owner/manager
  - Indicate if the project is part of the approved Operating Plan for the year (capital and O&M budgets)
  - Indicate if this is for additional resources; if so, the reason for additional funding
  - Indicate if the project is for merger integration (temporary)
  - Project timing and estimated in-service date
- Executive summary
- Overall justification
  - Problem statement
  - Project objectives
  - Project benefits, including business performance metrics; describe assumptions used to estimate benefits and customer impacts
  - Alternatives considered
  - Assessment of solutions utilized by and applicability to other NU companies
  - Safety assessments
- Financial evaluation
  - Schedule and milestones
  - Unique payment provisions
  - Project cost in total and by year, including
    - Direct capital costs (labor, outside services, materials and all other costs associated with getting the project ready for its intended use)
    - Indirect capital costs (including loaders and allocators)
    - An estimate of capitalized interest or AFUDC, as applicable
    - O&M costs
    - Contingency amounts, including assumptions and calculations, and justification
    - Indicate if project costs are in the approved Operating Plan, or if not, if this project will replace another project or expenditure
  - Project-related future costs, including whether or not they are in the approved Operating Plan
  - Financial benefits generated from the project, including whether or not they are in the approved Operating Plan
  - IRR, NPV, and payback period if applicable



- Regulatory considerations and regulatory approvals required, if any
- Risks and risk mitigation plans; risks to be considered include
  - Construction
  - Customer/reputational/regulatory
  - Schedule
  - Financial
  - Environmental
  - IT (if applicable)
- Additional evaluation criteria for IT projects
  - Applications impacted, including interfaces and interdependencies, and implications (diagram may be helpful)
  - Assessment of fit in overall IT strategy
  - Controls over migration
  - Change management plan including impacts to business processes
  - Business continuity and SOX assessments

Responsibilities

- The project initiator is responsible for
  - Proposing the project
  - Preparing the PAF and/or other material that may be presented to the subsidiary boards
  - Involving the appropriate personnel (e.g., accounting, financial, regulatory, legal) to assist with documenting the evaluation criteria
  - Routing the PAF for authorization

- The project owner/manager is responsible for
  - Assisting with the project initiator's responsibilities
  - Ensuring that consultation has occurred with appropriate areas as needed to avoid unexpected issues after the project is approved, e.g. in Regulatory
  - Working with Plant Accounting to ensure that the PAF has a proper break-out of capital and O&M amounts prior to submitting for approval through the DOA and for Software as a Service (SaaS) projects, that a separate analysis has been completed
  - Working with Budgeting and Internal Reporting on PAFs and subsidiary board materials to determine that amounts are in the Operating Plan or, if not, there is another project that this project will replace
  - Engaging the NU Enterprise Risk Management group to identify risks and risk mitigation plans and the Financial Planning and Analysis group to complete financial evaluation for all projects that require subsidiary board or Chief Executive Officer approval
  - Managing the project authorization



- Overseeing the project

- An area Director or Vice President or above is responsible for sponsoring the project

- The NU Enterprise Risk Management group is responsible for assisting project owners/managers in identifying risks and risk mitigation plans for all projects requiring either subsidiary board approval or approval by the Chief Executive Officer

- The Financial Planning and Analysis group is responsible for assisting project owners/managers in completing the financial evaluation for all projects requiring either subsidiary board approval or approval by the Chief Executive Officer

Policy Sponsorship

The Executive Vice President and Chief Financial Officer is the sponsor of this policy. The Vice President, Controller and Chief Accounting Officer is responsible for the administration of this policy.

Revision History

0 Original issue – May 3, 2013

1 Updates for authorization process, PAF changes and DOA references – June 25, 2014



Northeast Utilities

Project Authorization Form

General Information

Date Prepared: _____

Project Title: _____

Class(es) of Plant _____

Project Initiator: _____

Project Owner/Manager: _____

Project Sponsor: _____

Project ID Number: _____

Organization: _____

Company: _____

Authorization for additional resources? Yes / No If so obtain required VP approval

Project purpose: merger integration? Yes / No

Timing of project _____

Estimated in service date _____

Project _____ Annual _____ Preliminary _____

Part of Original Operating Plan? Yes / No

O&M Expenses Part of the Original Operating Plan? Yes / No

If Chief Executive Officer or subsidiary board approval is required, document the review by Enterprise Risk Management (ERM) and Financial Planning and Analysis (FP&A)

ERM_____

_____

FP&A_____

_____



Northeast Utilities

Executive Summary

Project Costs Summary

See APS3 and APS8 requirements and consult with Plant Accounting for capital/O&M determination. Use published loaders for benefits, materials, and invoices, maintained by the Director, Budget and Internal Reporting.

	Prior Authorized Amount (if applicable)	Amount of This Authorization	Total Project Cost
Capital	$	$	$
O&M	$	$	$
Total	$	$	$

Summary Project Description

_____

_____

_____

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_____

_____

_____

_____

_____

_____

	Total Project Costs	Amount in Operating Plan	Difference
Capital	$	$	$
O&M	$	$	$
Total	$	$	$

Discuss how the variances to the plan will be addressed_____

_____

_____

_____

_____



Northeast Utilities

Project Authorization

Project authorization below must be in accordance with the approval levels included in the Delegation of Authority Policy (DOA).

Approver	Approver Name	Approver Signature	Date
Project initiator			
Project manager			
Plant Accounting			
Budgeting and Internal Reporting*			
Investment Planning**			
DOA			
DOA			
CIO or VP, Supply Chain, Environmental Affairs and Property Management or their designee ***			

* For Corporate / Shared Services projects only
** For Massachusetts Operations projects only
*** For IT or Facilities and Environmental projects only

Overall Justification

Describe the proposed project below.

Problem statement

_____

_____

_____

_____

Project objectives

_____

_____

_____

_____



Northeast Utilities

Project scope

Quantitative and qualitative project benefits, including assumptions used to estimate benefits and customer impacts; describe the changes in performance to the business process or technology performance metrics that can be expected as a result of this project

Alternatives considered

Assessment of solutions utilized by and applicability to other NU Companies

Safety assessments

Financial Evaluation

Describe the project schedule and milestones



Northeast Utilities

Explain unique payment provisions, if applicable

_____

_____

Provide the following financial information (attach additional detail if summarized items are significant or additional information is needed)

Direct Capital Costs	Year 1	Year 2	Year 3	Total
Labor				
Outside services				
Materials				
Other, including contingency amounts (describe)				
Total				

Indirect Capital Costs	Year 1	Year 2	Year 3	Total
Benefits				
Loaders				
Capitalized interest or AFUDC, if any				
Other, including contingency amounts (describe)				
Total				

Total Capital Costs				

Total O&M Costs				

Total Project Costs				

Vendor software payments (indicate whether or not included in the above)*				

*Accounting for vendor software payments for SaaS or other agreements involving the right to use software is to be determined by a separate analysis, and approval by Plant Accounting and Budgeting and Internal Reporting is required. Plant Accounting maintains a checklist to aid in this analysis.



Northeast Utilities

_____

_____

_____

Provide below and describe the estimated future costs that will result from the project

Future Costs	Year 1	Year 2	Year 3	Total Future Project Costs
O&M				
Capital				
Other (describe)				
Total				

Compare these future costs to amounts that are in the approved Operating Plan

_____

_____

_____

Provide below and describe the estimated financial benefits (reductions from current year Operating Plan) that will result from the project

Financial Benefits	Year 1	Year 2	Year 3	Total Financial Benefits
O&M				
Capital				
Revenues				
Other (describe)				
Total				

Include the benefits going forward using current year Operating Plan amounts

_____

_____

What is the project's IRR? _____

What is the project's NPV? _____



Northeast Utilities

What is the project's payback period? _____

Use appropriate discount rate by company (can be provided by Budgeting and Internal Reporting or Financial Planning and Analysis).

If the above items are not applicable, explain why (e.g., if negative but there other reasons to proceed)

_____

_____

_____

Regulatory Approvals

Indicate what regulatory approvals are needed for the project

_____

_____

_____

Risks and Risk Mitigation Plans

Describe the applicable risks and associated risk mitigation plans: e.g., construction, customer, reputational, schedule, financial, regulatory, environmental and IT risks. Indicate discussions with relevant subject matter experts.

_____

_____

_____

_____

_____

Authorization Criteria Specific to IT Projects

Describe the applications that are impacted and include information regarding the interfaces and interdependencies related to this IT project (diagrams may be considered to assist in review and approval)

_____

_____

_____



Northeast Utilities

Assess the fit of this IT project with the overall IT strategy

_____

_____

_____

Describe control matters, such as the processes for data migration, change management plan including impacts to business processes, data maintenance controls, whether or not this IT project will be or impacts a Sarbanes-Oxley critical application, and the business continuity plan

_____

_____

_____



Policy Statement

Project authorization includes the evaluation, decision-making, and approval of all projects.This policy applies to all projects initiated and/or managed by the operations organizations that report to the Executive Vice President and Chief Operating Officer.

A project is defined as a commitment of internal and/or external company resources to accomplish a task or receive a service.Capital projects include:

- Purchase or construction of plant
- Purchase of equipment, land or rights of way, and materials including critical spares and those with long lead times

Non-capital projects that may have a significant impact on NU and/or an operating companyshould also be evaluated to determine if the requirements of this policy should be followed.

This policyfollows the direction of Accounting Policy Statement No. 1 whereby the overall policy is that projects should be evaluated and approved by the appropriate levels of authority, as dictated by the NU Delegation of Authoritypolicy, prior to the commitment of company resources.

Authorization Process

Standard Approval Process

All projects, regardless of size, are required to follow the purchasing controls and be authorized in accordance with the Delegation of Authority policy. In addition, for specific projects that exceed the cost thresholds provided in Appendix 1, a project authorization form must be completed. If a specific project does not exceed the cost thresholds, a project authorization form is not required but can be completed if desired.Accounting Policy Statement No. 1 provides a project authorization form, but a different form can be used in its place so long as it is similar in nature and provides the appropriate level of documentation as explained below. All references to the project authorization form in this policy statement also apply to this similar form.

For projects requiring a project authorization form, the items included in the Project Evaluation Criteria shown below should be reflected in sufficient detail and with explanations so the approver is fully informed and can make a knowledgeable approval decision. It is expected that the level of detail included in the project authorization form



be commensurate with the size and complexity of the project and comply with regulatory reporting requirements, if any.The cost information included in the project authorization form should represent the total cost of the project (capital and expense), including, but not limited to, direct costs, internal labor, materials, contractor costs, cost of removal, internal indirect costs (overheads and loaders) and an estimate for capitalized interest or AFUDC, as applicable. Contributions in aid of construction (CIAC) or other reimbursements should be included in the project authorization form and if any contingencies are included in the estimated costs, they need to be identified and described in theproject authorization form as well.

The project authorization form should be completed during the early phases of the capital planning process; most likely at the time of a project's initiation. In an emergency, there may not be sufficient time to complete a project authorization form before a commitment is made. In such cases, the project sponsor must initiate the project and obtain the necessary approvals as soon as practicable, and then complete the remainder of the project authorization form as soon as practicable.

Consistent with the approval of individual transactions, the completed project authorization form must be approved according to the levels in the Delegation of Authority policy. For projects that need to be approved by subsidiary boards, presentation materials shall be produced in addition to the project authorization form, and the items included in the Project Evaluation Criteria shown below should be included in the presentation materials or evaluated in addition to thepresentation materials. For projects that require subsidiary board approval, the template provided in Appendix 3 should be used for the presentation with applicable sections completed.

Responsibilities

- The project initiator is responsible for
  - Proposing the project
  - Preparing the project authorization form and other material that may be required for presentations
  - Involving the appropriate personnel (e.g., accounting, financial, regulatory, legal) to assist with documentation of the evaluation criteria
  - Routing and attaining the necessary approvals on the project authorization form

- The project owner or project manager is responsible for
  - Assisting with the project initiator's responsibilities
  - Ensuring that consultation has occurred with appropriate areas as needed to avoid unexpected issues after the project is approved, e.g. in Plant Accounting, Budgeting, Investment Planning, and Regulatory.



  - Ensuring the appropriate approvals have been obtained in cases where the costs of the specific project are not in the approved Operating Plan
  - Working with Plant Accounting and Budgets &Investment Planning to ensure that the project authorization form has a proper break-out of capital and O&M amounts prior to submitting for approval
  - Engaging the NU Enterprise Risk Management group to identify risks and risk mitigation plans and the appropriate financial group(s) to complete financial evaluation for all projects that require Subsidiary Board or Chief Executive Officer approval
  - Managing the project authorization
  - Overseeing the project

- An area Manager, Director or Vice President is responsible for sponsoring the project

- The NU Enterprise Risk Management group is responsible for assisting project managers in identifying risks and risk mitigation plans for all projects requiring either subsidiary board approval or approval by the Chief Executive Officer

- The Chief Financial Officer organization is responsible for assisting project managers in completing the financial evaluation for all projects requiring either subsidiary board approval or approval by the Chief Executive Officer; questions regarding the appropriate group(s) to engage should be directed to the Vice President – Business Financial Services and Corporate Performance Management

Authorization Process for Additional Resources

If a project is expected to exceed the original authorized dollar amount, then the project initiator is responsible for submitting an updated project authorization form with a new requested dollar amount as soon as it is likely that the total direct cost of the project will exceed the original authorized dollar amount by the following amounts:

  - $25,000 for projects less than $250,000
  - $50,000 for projects greater than $250,000 and less than $500,000
  - 10% for projects greater than or equal to $500,000
  - Any projects with a variance greater than $1 million

The supplemental authorization request should clearly indicate that approval is being sought for additional resources and include an estimate of the additional direct costs expected to complete the project and the reasons for the increase in the estimated cost. Prior to spending any additional funds, the new project authorization form should be



approved in accordance with the Delegation of Authority policy based on the revised total cost of the project.The Vice President – Business Financial Services and Corporate Performance Management or designee must approve project authorization forms for electric and gas distribution projects with direct costincreases of $1 million and above and for transmission projects with direct costincreases of $5 million and above.

Additional Reviews

Other groups may benefit from reviewing in-process or completed project authorization forms. These reviews can take place at any time; however, to ensure a timely and efficient project approval process, these reviews should be done apart from the normal project approval process.

Approval

Neither project initiation nor inclusion of a project in the annual capital budget constitutes project approval. Final approval of a completed project authorization form or subsidiary board approval is required before commitment of company resources, including construction, development, or system integration, can occur.

Acceptable documentation of an approved project authorization form includes signatures (manual or electronic), minutes from a capital review committee, and minutes or resolutions from a subsidiary board meeting. In all cases, the approvals must comply with the levels in the Delegation of Authority policy.

Project Approval is not Transferable Even if the Cost will be Offset by a Reduction to Another Segment, Company, or Area

It is the general intent of this policy that project approval is specific to the project or program for which a project authorization form was created and may not be transferred between projects or programs, between segments, between operating subsidiaries, or between an operating subsidiary and Corporate/Shared Services. However, if such a transfer is desired, or if reductions in spending in one area will be retained and utilized to offset additional spending in another area, a specific project authorization form is still required for the project being proposed and approval of any “transfer” or offsetting reductions should be documented in the form as well. Any transfers of budgets or



agreements to offset significant spending between organizations must be approved by the Chief Financial Officer and if he deems appropriate, the Chief Executive Officer.and that approval must be documented.

Record Retention

All completed and approved project authorization forms, subsidiary board presentations, and approval materials shall be maintained in PowerPlan and in each operating company area within the appropriate capital project documentation database and will follow the pertinent corporate retention guidelines.These documents are subject to inspection or review at any time.

Project Evaluation Criteria and Classifications

The information below shouldbe provided, as applicable, in order for an approver to evaluate a project. The extent of the information provided should increase commensurate with the size, complexity, and risk of the project.

- General information
  - Project name, company and identification number
  - Project sponsor and project owner/manager
  - Indicate if the project is part of the approved Operating Plan for the year (capital and O&M budgets), or if not, if the addition of this project will be offset by the elimination or reduction of another project or expenditure. A new project authorization form is required whether such an offset exists or not. Approval of significant offsetsby the Chief Financial Officer, and if he deems appropriate the Chief Executive Officer,must be sought and documented in the project authorization form.
  - Indicate if this is for additional resources and, if so, the reason for the change
  - Indicate if the project is for merger integration (temporary)
  - Project timing and estimated in-service date
  - Indicate the category of investment
    - Distribution – Basic Business, Aging Infrastructure, or Load Growth/New Business
    - Transmission
    - Generation
  - Indicate additional attributes to the project
    - Economic Benefit
    - Safety
    - Improved Reliability
    - Regulatory Requirement



        - Failure in Service
        - Improved Customer Service
        - Business Process Improvement
- Executive summary
- Overall justification
    - Problem statement
    - Project objectives
    - Project benefits, including business performance metrics; describe assumptions used to estimate benefits and customer impacts
    - Alternatives considered
    - Assessment of solutions utilized by and applicability to other NU companies
- Financial evaluation
    - Schedule and milestones
    - Unique payment provisions
    - Project cost in total and by year, including
        - Direct capital costs (labor, outside services, materials and all other costs associated with getting the project ready for its intended use)
        - Indirect capital costs (including loaders and allocators)
        - An estimate of capitalized interest or AFUDC, as applicable
        - O&M costs
        - CIAC and other reimbursements, as applicable
        - Contingency amounts, including assumptions and calculations, and justification
        - Indicate if project costs are in the approved Operating Plan, or if not, if this project will replace another project or expenditure
    - Project-related future costs, including whether or not they are in the approved Operating Plan
    - Financial benefits generated from the project, including whether or not they are in the approved Operating Plan
    - IRR, NPV, and payback period if applicable
- Regulatory considerations and regulatory approvals required, if any
- Risks and risk mitigation plans; risks to be considered include
    - Construction
    - Customer/reputational/regulatory
    - Schedule
    - Financial
    - Environmental
    - IT (if applicable)

The project authorization form should classify projects as follows:



- Specific Project– a specific project needs a project authorization form. Thisapplies to projects, programs and initiatives associated with one or more companies. Approvals should be obtainedbased upon the total cost of the project.

- Annual Program –an annual program includes many similar, small, and/or routine capital jobs performed over the course of a year for which one project authorization form can be prepared. As illustrated below, a project authorization form would be prepared for new service installations at Yankee Gas, but not for the new service installation projects established for each area work center or work orders used to track the new service installations. A similar example would apply to pole replacements at CL&P.

Business	Project Authorization Form is Required at this Level Annual Program Type	Work Orders Track Actual Installations Annual Project
Gas	New service installations for Yankee Gas	New service installations by area work center
	Emergency replacement of gas services for Yankee Gas	Emergency replacements of gas services by area work center
Electric	Pole replacements for CL&P	Pole replacements by area work center

  - Annual Projects roll up to an Annual Program. If asingle work order within an Annual Projectexceeds the applicable thresholdestablished by each operating company and maintained within its internal procedures (see Appendix 2), the work order shall be included with a project authorization form and approved based on the thresholds included in Appendix 1.

- Preliminary Projects– in some cases, the full scope of a project may not be known or estimable, but authorization is required during the preliminary stage of a project where evaluation work, such as a preliminary study, engineering, environmental surveys, and other similar work may be done.

- Parent Projects – established when a) the scope of work spans more than one operating company, or b) there are multiple classes of plant to a project (e.g., distribution, transmission, land.)



Policy Sponsorship

The Executive Vice President and Chief Financial Officer is the sponsor of this policy. The VicePresident – Business Financial Services and Corporate Performance Management is responsible for the administration of this policy.

Revision History

0 Original Issue–February 11, 2014

1 Updates to clarify the policy as it relates to project approvals of budget transfers or utilization of spending reductions to offset increased spending betweenorganizations, threshold for approval of additional project resources based on direct cost increases, and maintenance of project authorization formsin PowerPlan. CL&P Annual Project thresholds adjusted to be consistent with sister companies. Transmission Annual Projects added to Appendix 2. Adds Appendix 3 subsidiary board approval template and requires consultation with a designated representative of the CFO organization for financial evaluation of projects requiring approval by subsidiary board or CEO – January 23, 2015



Appendix 1
Project Authorization Form Thresholds

For projects with a total cost estimatethat exceeds the thresholds shown below (including direct and indirect costs), a project authorization form is required. Organizations may elect to use lower thresholds. The “total cost” is defined as the gross cost of the project before offsets such as CIAC or other reimbursements.

Distribution and Generation	
CL&P	$200,000
NSTAR Electric	$200,000
PSNH	$200,000
WMECO	$200,000
Transmission	$200,000
Gas	
NSTAR Gas	$100,000
Yankee Gas	$100,000

Appendix 2
Annual Project Definitions

The following pages provide the definitions for Annual Projects and the capital dollar limits at which an individual work order needs to be moved to a specific project and approved via a project authorization form.

	Page
CL&P Distribution	11
PSNH Distribution	12
PSNH Generation	13
WMECO Distribution	14
CL&P, PSNH, WMECO Substations	15
CL&P, WMECO Meters	16
Yankee Gas	17-18
NSTAR Electric	19
NSTAR Gas	19
CL&P, PSNH, WMECO Transmission	20

Appendix 2
Annual Project Definitions

CL&P Electric Distribution - Annual Project Definitions

Project Code	Project Type	Description	Program Owner	Work Order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
DF	Cable Rejuvenation & Replacement	DB Cable Cure Silicone Injection or Replacement	Mgr – Special Projects - Dist	$250,000	Operating company needs
DH	Highway/Road Relocations	Relocate facilities to accommodate road widening/improvements	Engineering Mgr - Distribution	$250,000	Historic spending levels, ID of CDOT, municipal and customer plans
DK	Maintain Voltage	Maintain voltage within DPUC mandated +3/-5% limits	Director – Engineering	$100,000	Historic spending levels, prior year peak Power Factor (correction) results
DN	New Business	Primary Service Inst/Removal, Load Growth/Capacity	Vice President - Customer Operations	$100,000	Historic spending levels, economic climate, housing permits/starts etc.
DQ	Obsolescence / Repair	Repair or replace failed or obsolete equipment	Vice President - Customer Operations	$50,000	Historic spending levels
DR	Reliability Improvement	Improve service reliability	Director – Engineering	$100,000	Historic spending levels, operating company needs and goals
DT	Distribution Transformers	Purchase and capitalization of distribution transformers (< 500 KVA)	Director – Engineering	$100,000	Historic spending levels, special needs
DV	Service Inst/Removal	Individual service installations and/or removals	Vice President - Customer Operations	$100,000	Historic spending levels



PSNH Electric Distribution - Annual Project Definitions

Project Code	Project Type	Description	Program Owner	Work Order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
DH	Highway/Road Relocations	Relocate facilities to accommodate road widening/improvements	Manager – Operations Support	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DK	Maintain Voltage	Maintain voltage within DPUC mandated +3/-5% limits	Manager – Field Engineering & Operations	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DL	Right of Way Lines	Repair or replace failed equipment	Manager – Distribution Maintenance	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DM	Meters	Meters for new service and retirements	Manager - Field Services	No Limit	Historic spending adjusted for known future work within Management defined spending cap.
DN	New Business	Primary Service Inst/Removal, Load Growth/Capacity	Manager – Operations Support	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DQ, AR, IF, INS	Obsolescence / Repair	Repair or replace failed or obsolete equipment	Manager – Operations Support	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DR	Reliability Improvement	Improve service reliability	Manager – Field Engineering & Operations	No Limit	Management discretion within annual project funding limit
DT	Distribution Transformers	Purchase and capitalization of distribution transformers (< 500 KVA)	Manager - Field Services	No Limit	Management discretion within annual project funding limit
DV	Service Inst/Removal	Individual service installations and/or removals	Manager – Operations Support	$100,000	Historic spending adjusted for known future work within Management defined spending cap.



PSNH Electric Generation - Annual Project Definitions

Project Code	Project Type	Description	Program Owner	Work Order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
PSWY010	Wyman #4 Joint Owner Contribution for Capital Improvements	Share of Capital Improvements to Wyman #4	Team Leader	$100,000	Annual project funding level based upon Florida Power budget estimates.
PSST	Generation Staff Improvements	Units of property with a value of less than $100K	Director	$100,000	Management discretion within annual project funding limit
PSMK	Merrimack Station Improvements	Units of property with a value of less than $100K	Station Manager	$100,000	Management discretion within annual project funding limit
SCHCAPAN	Schiller Station Improvements	Units of property with a value of less than $100K	Station Manager	$100,000	Management discretion within annual project funding limit
NEWCAPAN	Newington Station Improvements	Units of property with a value of less than $100K	Station Manager	$100,000	Management discretion within annual project funding limit
PSMS2	Generation Maintenance Improvements	Units of property with a value of less than $100K	Generation Maintenance Manager	$100,000	Management discretion within annual project funding limit
PHNH2	Hydro Station Improvements	Units of property with a value of less than $100K	Station Manager	$100,000	Management discretion within annual project funding limit



WMECO Electric Distribution - Annual Project Definitions

Project Code	Project Type	Description	Program Owner	*Work order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
DF	Cable Rejuvenation & Replacement	DB Cable Cure Silicone Injection or Replacement	Mgr System Planning	$100,000	Failure history and Operating Co priorities
DH	Highway/Road Relocations	Relocate facilities to accommodate road widening/improvements	Mgr System Planning	$100,000	Historic spending levels, MassHwy and municipal projects, customer driven projects
DK	Maintain Voltage	Maintain voltage within DPUC mandated +5/-5% limits	Mgr System Planning	$100,000	Historic spending levels, low voltage and power factor correction
DN	New Business	Primary Service Inst/Removal, Load Growth/Capacity	Dir Operations	$100,000	Historic spending levels, economic climate, housing permits/starts etc.
DQ, AR, IF, INS	Obsolescence/Repair	Repair or replace failed or obsolete equipment	Dir Operations	$100,000	Historic spending levels. Operating Co priorities for replacement of obsolete distribution facilities.
DR	Reliability Improvement	Improve service reliability	Mgr System Planning	$100,000	Operating Co needs for maintaining or improving distribution reliability performance.
DT	Distribution Transformers	Purchase and capitalization of distribution line transformers	Mgr System Planning	$ No limit	Management discretion within annual project funding levels
DV	Service Inst/Removal	Individual service installations and/or removals	Dir Operations	$100,000	Historic spending levels and economic climate.

*Requires approval of OCRC



CL&P, PSNH & WMECO Electric Substations - Annual Project Definitions

* Project Code	Project Type	Description	Program Owner	Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
DS (CN)	Sys Renewal – Obsolescence	Distribution Substation Annuals	CL&P Supervisor – Substation Asset Management	$100,000	Historic Funding Levels
DS (EQ)	Sys Renewal – Equip Failures	Distribution Substation Annuals	CL&P Supervisor – Substation Asset Management	$100,000	Historic Funding Levels
DS (WN)	Sys Renewal – Equip Failures	Distribution Substation Annuals	Manager – Construction & Maintenance (WMECo)	$100,000	Historic Funding Levels
DS9RS	Distribution Substation Improvements	Distribution Substation Annuals	Manager – Engineering and Design (PSNH)	$50,000	Historic spending adjusted for known future work within Management defined spending cap.
DS9RP	Substation P&C Improvements	Distribution Substation Annuals	Manager – Engineering and Design (PSNH)	$50,000	Historic spending adjusted for known future work within Management defined spending cap.
DS9RD	Sys Renewal – Equip Failures	Distribution Substation Annuals	Manager – Distribution Maintenance	$50,000	Historic spending adjusted for known future work within Management defined spending cap.



CL&P & WMECO Electric Meters - Annual Project Definitions					
*** Project Code**	**Project Type**	**Description**	**Program Owner**	**Capital Dollar Limit**	**Annual Funding Level Drivers & Other Considerations**
DM	Meter Purchases	Purchase and capitalization of electric meters	Mgr – Meter Services	No Limit	Management discretion within annual project spending limit
GH	Meter Obsolescence / Repair	Repair or replace failed or obsolete equipment	Mgr – Meter Services	No Limit	Management discretion within annual project spending limit

*Project Codes with a * are setup for all area work centers.

Note: Other Annual Projects exist that are not detailed above. For example:
RE – Real Estate
GM, GX – Tools

Yankee Gas Services Co Gas Distribution - Annual Project Definitions

Project Code	Project Type	Description	Program Owner	Work Order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
MG*	Business Expansion	New Business Meters	Dir - Sales & Marketing	$50,000	Historical Expenditures
SG*	Business Expansion	New Business Services	Dir - Sales & Marketing	$50,000	Historical Expenditures
BGCN	Facilities	Structures and Improvements	Dir - Operation Services & HR	$25,000	Historical Expenditures / Future Needs
XDHT	General Plant & Equip	YG Construction Proj: Misc Tools	Dir – Field Operations	$50,000	Historical Expenditures
XGCN	General Plant & Equip	Misc General Plant	Dir - Field Operations	$50,000	Historical Expenditures
XLNG	General Plant & Equip	Misc LNG General Plant / Tools	Dir - LNG	$50,000	Historical Expenditures
XYGS	General Plant & Equip	Yankee Gas System Operations Tools	VP - Operations	$50,000	Historical Expenditures
DG*	System Reliability/Integrity	Emergency Main Replacement	VP - Operations	$75,000	Historical Expenditures
EGCN	System Reliability/Integrity	Regulator Stations	VP - Operations	$75,000	Historical Expenditures / Future Needs / Regulatory
MR*	System Reliability/Integrity	Blanket Meters	VP - Operations	$50,000	Historical Expenditures
VG*	System Reliability/Integrity	Emergency Service Replacement	VP - Operations	$50,000	Historical Expenditures
TMCN	System Reliability/Integrity	Telemetering	VP – Engineering / Sales	$50,000	Historical Expenditures / Future Needs
TS*	System Reliability/Integrity	10% Services	VP - Operations	$50,000	Historical Expenditures



Yankee Gas Services Co Gas Distribution - Annual Project Definitions, cont'd

Project Code	Project Type	Description	Program Owner	Work Order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
JSCN*	System Reliability/Integrity	Joint Sealing Annual	VP - Operations	$50,000	Historical Expenditures
100250	System Reliability/Integrity	Corrosion Annual	VP - Operations	$50,000	Historical Expenditures

*Project Codes with a * are setup for all area work centers.



NSTAR Gas

If the total work order estimate (including both direct and indirect costs) is greater than $100,000, a specific project must be assigned and an authorization document must be completed. For New Business projects, a specific project authorization must be completed if the mains and services total cost estimate is greater than $100,000.

NSTAR Electric

If the total work order estimate (including both direct and indirect costs) is greater than $200,000, a specific project must be assigned and an authorization document must be completed. This applies to all programs and categories of work.

Appendix 2
Annual Project Definitions

Transmission - Annual Project Definitions (CL&P, PSNH & WMECO)

Project Code	Project Type	Description	Program Owner	Work Order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
GXTC	CL&P CT&M Tools Annual	Tools necessary to perform line, substation, relay and communication construction and maintenance	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
GXTN	PSNH CT&M Tools Annual	Tools necessary to perform line, substation, relay and communication construction and maintenance	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
GXTW	WMECO CT&M Tools Annual	Tools necessary to perform line, substation, relay and communication construction and maintenance	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
GXTT	CT&M Transmission TECH Support Annual	Additions, replacement and/or repair of SCADA and communications equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TS9R	PSNH Transmission Substation Annual	Additions, replacement and/or repair of substation equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels



TSCN	CL&P Transmission Substation Annual	Additions, replacement and/or repair of substation equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TSWN	WMECO Transmission Substation Annual	Additions, replacement and/or repair of substation equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TSCP	CL&P Transmission Substation P&C Annual	Additions, replacement and/or repair of protection and controls equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TSWP	WMECO Transmission Substation P&C Annual	Additions, replacement and/or repair of protection and controls equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TL9R	PSNH Transmission Lines Annual	Additions, replacement and/or repair of transmission line facilities and appurtenances	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TLCN	CL&P Transmission Lines Annual	Additions, replacement and/or repair of transmission line facilities and appurtenances	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels



TLWN	WMECO Transmission Lines Annual	Additions, replacement and/or repair of transmission line facilities and appurtenances	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TVCP	CL&P Transmission Vehicle Purchases Annual	Vehicles necessary to construct and maintain transmission facilities (substation and lines)	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TVNP	PSNH Transmission Vehicle Purchases Annual	Vehicles necessary to construct and maintain transmission facilities (substation and lines)	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TVWP	WMECO Transmission Vehicle Purchases Annual	Vehicles necessary to construct and maintain transmission facilities (substation and lines)	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels

Appendix 3
Subsidiary Board Approval Package Template



Subsidiary Board
Approval Template.pp

Note: to save, complete and print the template, please right click on the above icon and select Presentation Object and Edit

Policy Statement

Project authorization includes the evaluation, decision-making, and approval of all projects. This policy applies to all projects initiated and/or managed by the operations organizations that report to the Executive Vice President and Chief Operating Officer.

A project is defined as a commitment of internal and/or external company resources to accomplish a task or receive a service. Capital projects include:

- Purchase or construction of plant
- Purchase of equipment, land or rights of way, and materials including critical spares and those with long lead times

Non-capital projects that may have a significant impact on Eversource and/or an operating company should also be evaluated to determine if the requirements of this policy should be followed.

This policy follows the direction of Accounting Policy Statement No. 1 whereby the overall policy is that projects should be evaluated and approved by the appropriate levels of authority, as dictated by the Eversource Delegation of Authority policy, prior to the commitment of company resources.

Authorization Process

Standard Approval Process

All projects, regardless of size, are required to follow the purchasing controls and be authorized in accordance with the Delegation of Authority policy. In addition, for specific projects that exceed the cost thresholds provided in Appendix 1, a project authorization form must be completed. If a specific project does not exceed the cost thresholds, a project authorization form is not required but can be completed if desired. Accounting Policy Statement No. 1 provides a project authorization form, but a different form can be used in its place so long as it is similar in nature and provides the appropriate level of documentation as explained below. All references to the project authorization form in this policy statement also apply to this similar form.

For projects requiring a project authorization form, the items included in the Project Evaluation Criteria shown below should be reflected in sufficient detail and with explanations so the approver is fully informed and can make a knowledgeable approval decision. It is expected that the level of detail included

in the project authorization form be commensurate with the size and complexity of the project and comply with regulatory reporting requirements, if any. The cost information included in the project authorization form should represent the total cost of the project (capital and expense), including, but not limited to, direct costs, internal labor, materials, contractor costs, cost of removal, internal indirect costs (overheads and loaders) and an estimate for capitalized interest or AFUDC, as applicable. Contributions in aid of construction (CIAC) or other reimbursements should be included in the project authorization form and if any contingencies are included in the estimated costs, they need to be identified and described in the project authorization form as well.

The project authorization form should be completed during the early phases of the capital planning process; most likely at the time of a project's initiation. In an emergency, there may not be sufficient time to complete a project authorization form before a commitment is made. In such cases, the project sponsor must initiate the project and obtain the necessary approvals as soon as practicable, and then complete the remainder of the project authorization form as soon as practicable.

Consistent with the approval of individual transactions, the completed project authorization form must be approved according to the levels in the Delegation of Authority policy. For projects that need to be approved by subsidiary boards, presentation materials shall be produced in addition to the project authorization form, and the items included in the Project Evaluation Criteria shown below should be included in the presentation materials or evaluated in addition to the presentation materials. For projects that require subsidiary board approval, the template provided in Appendix 3 should be used for the presentation with applicable sections completed.

Responsibilities

- The project initiator is responsible for
  - Proposing the project
  - Preparing the project authorization form and other material that may be required for presentations
  - Involving the appropriate personnel (e.g., accounting, financial, regulatory, legal) to assist with documentation of the evaluation criteria
  - Routing and attaining the necessary approvals on the project authorization form

- The project owner or project manager is responsible for
  - Assisting with the project initiator's responsibilities

  - Ensuring that consultation has occurred with appropriate areas as needed to avoid unexpected issues after the project is approved, e.g. in Plant Accounting, Budgeting and Internal Reporting, Investment Planning, and Regulatory
  - Ensuring the appropriate approvals have been obtained in cases where the costs of the specific project are not in the approved Operating Plan
- Working with Plant Accounting, Budgeting and Internal Reporting, and Investment Planning to ensure that the project authorization form has a proper break-out of capital and O&M amounts prior to submitting for approval
- Engaging the Eversource Enterprise Risk Management group to identify risks and risk mitigation plans and the appropriate financial group(s) to complete financial evaluation for all projects that require Subsidiary Board or Chief Executive Officer approval
  - Managing the project authorization
  - Overseeing the project

- An area Manager, Director or Vice President is responsible for sponsoring the project

- The Eversource Enterprise Risk Management group is responsible for assisting project managers in identifying risks and risk mitigation plans for all projects requiring either subsidiary board approval or approval by the Chief Executive Officer

- The Chief Financial Officer organization is responsible for assisting project managers in completing the financial evaluation for all projects requiring either subsidiary board approval or approval by the Chief Executive Officer; questions regarding the appropriate group(s) to engage should be directed to the Director, Budgeting and Internal Reporting

Authorization Process for Additional Resources

If a project is expected to exceed the original authorized dollar amount, then the project initiator is responsible for submitting an updated project authorization form with a new requested dollar amount as soon as it is likely that the total direct cost of the project will exceed the original authorized dollar amount by the following amounts:

  - $25,000 for projects less than $250,000
  - $50,000 for projects greater than $250,000 and less than $500,000
  - 10% for projects greater than or equal to $500,000

- Any projects with a variance greater than $1 million

The supplemental authorization request should clearly indicate that approval is being sought for additional resources and include an estimate of the additional direct costs expected to complete the project and the reasons for the increase in the estimated cost. Prior to spending any additional funds, the new project authorization form should be approved in accordance with the Delegation of Authority policy based on the revised total cost of the project. The Vice President – Financial Planning and Analysis or designee must approve project authorization forms for electric and gas distribution projects with direct cost increases of $1 million and above and for transmission projects with direct cost increases of $5 million and above.

Additional Reviews

Other groups may benefit from reviewing in-process or completed project authorization forms. These reviews can take place at any time; however, to ensure a timely and efficient project approval process, these reviews should be done apart from the normal project approval process.

Approval

Neither project initiation nor inclusion of a project in the annual capital budget constitutes project approval. Final approval of a completed project authorization form or subsidiary board approval is required before commitment of company resources, including construction, development, or system integration, can occur.

Acceptable documentation of an approved project authorization form includes signatures (manual or electronic), minutes from a capital review committee, and minutes or resolutions from a subsidiary board meeting. In all cases, the approvals must comply with the levels in the Delegation of Authority policy.

Project Approval is not Transferable Even if the Cost will be Offset by a Reduction to Another Segment, Company, or Area

It is the general intent of this policy that project approval is specific to the project or program for which a project authorization form was created and may not be transferred between projects or programs, between segments, between operating subsidiaries, or between an operating subsidiary and Corporate/Shared Services. However, if such a transfer is desired, or if reductions in spending in one area will be retained and utilized to offset additional spending in another area, a specific project authorization form is still required for the project being proposed and approval of any “transfer” or offsetting reductions

should be documented in the form as well. Any transfers of budgets or agreements to offset significant spending between organizations must be approved by the Chief Financial Officer and if he deems appropriate, the Chief Executive Officer.and that approval must be documented.

Record Retention

All completed and approved project authorization forms, subsidiary board presentations, and approval materials shall be maintained in PowerPlan and in each operating company area within the appropriate capital project documentation database and will follow the pertinent corporate retention guidelines. These documents are subject to inspection or review at any time.

Project Evaluation Criteria and Classifications

The information below should be provided, as applicable, in order for an approver to evaluate a project. The extent of the information provided should increase commensurate with the size, complexity, and risk of the project.

- General information
  - Project name, company and identification number
  - Project sponsor and project owner/manager
  - Indicate if the project is part of the approved Operating Plan for the year (capital and O&M budgets), or if not, if the addition of this project will be offset by the elimination or reduction of another project or expenditure. A new project authorization form is required whether such an offset exists or not. Approval of significant offsets by the Chief Financial Officer, and if he deems appropriate the Chief Executive Officer, must be sought and documented in the project authorization form.
  - Indicate if this is for additional resources and, if so, the reason for the change
  - Project timing and estimated in-service date
  - Indicate the category of investment
    - Distribution – Basic Business, Aging Infrastructure, or Load Growth/New Business
    - Transmission
    - Generation
  - Indicate additional attributes to the project
    - Economic Benefit
    - Safety
    - Improved Reliability
    - Regulatory Requirement

        - Failure in Service
        - Improved Customer Service
        - Business Process Improvement
- Executive summary
- Overall justification
    - Problem statement
    - Project objectives
    - Project benefits, including business performance metrics; describe assumptions used to estimate benefits and customer impacts
    - Alternatives considered
    - Assessment of solutions utilized by and applicability to other NU companies
- Financial evaluation
    - Schedule and milestones
    - Unique payment provisions
    - Project cost in total and by year, including
        - Direct capital costs (labor, outside services, materials and all other costs associated with getting the project ready for its intended use)
        - Indirect capital costs (including loaders and allocators)
        - An estimate of capitalized interest or AFUDC, as applicable
        - O&M costs
        - CIAC and other reimbursements, as applicable
        - Contingency amounts, including assumptions and calculations, and justification
        - Indicate if project costs are in the approved Operating Plan, or if not, if this project will replace another project or expenditure
    - Project-related future costs, including whether or not they are in the approved Operating Plan
    - Financial benefits generated from the project, including whether or not they are in the approved Operating Plan
    - IRR, NPV, and payback period if applicable
- Regulatory considerations and regulatory approvals required, if any
- Risks and risk mitigation plans; risks to be considered include
    - Construction
    - Customer/reputational/regulatory
    - Schedule
    - Financial
    - Environmental
    - IT (if applicable)

The project authorization form should classify projects as follows:

- Specific Project – a specific project needs a project authorization form. This applies to projects, programs and initiatives associated with one or more companies. Approvals should be obtained based upon the total cost of the project.

- Annual Program – an annual program includes many similar, small, and/or routine capital jobs performed over the course of a year for which one project authorization form can be prepared. As illustrated below, a project authorization form would be prepared for new service installations at Yankee Gas, but not for the new service installation projects established for each area work center or work orders used to track the new service installations. A similar example would apply to pole replacements at CL&P.

Business	**Project Authorization Form is Required at this Level** **Annual Program Type**	**Work Orders Track Actual Installations** **Annual Project**
Gas	New service installations for Yankee Gas	New service installations by area work center
	Emergency replacement of gas services for Yankee Gas	Emergency replacements of gas services by area work center
Electric	Pole replacements for CL&P	Pole replacements by area work center

  - Annual Projects roll up to an Annual Program. If a single work order within an Annual Project exceeds the applicable threshold established by each operating company and maintained within its internal procedures (see Appendix 2), the work order shall be included with a project authorization form and approved based on the thresholds included in Appendix 1.

- Preliminary Projects – in some cases, the full scope of a project may not be known or estimable, but authorization is required during the preliminary stage of a project where evaluation work, such as a preliminary study, engineering, environmental surveys, and other similar work may be done.

- Parent Projects – established when a) the scope of work spans more than one operating company, or b) there are multiple classes of plant to a project (e.g., distribution, transmission, land.)

Policy Sponsorship

The Executive Vice President and Chief Financial Officer is the sponsor of this policy. The Vice President, Controller and Chief Accounting Officer is responsible for the administration of this policy.

Revision History

0 Original Issue – February 11, 2014

1 Updates to clarify the policy as it relates to project approvals of budget transfers or utilization of spending reductions to offset increased spending between organizations, threshold for approval of additional project resources based on direct cost increases, and maintenance of project authorization forms in PowerPlan. CL&P Annual Project thresholds adjusted to be consistent with sister companies. Transmission Annual Projects added to Appendix 2. Adds Appendix 3 subsidiary board approval template and requires consultation with a designated representative of the CFO organization for financial evaluation of projects requiring approval by subsidiary board or CEO – January 23, 2015

2 Updates for organizational and approval changes and Eversource name change – June 18, 2015

Appendix 1
Project Authorization Form Thresholds

For projects with a total cost estimate that exceeds the thresholds shown below (including direct and indirect costs), a project authorization form is required. Organizations may elect to use lower thresholds. The "total cost" is defined as the gross cost of the project before offsets such as CIAC or other reimbursements.

Distribution and Generation	
CL&P	$200,000
NSTAR Electric	$200,000
PSNH	$200,000
WMECO	$200,000
Transmission	$200,000
Gas	
NSTAR Gas	$100,000
Yankee Gas	$100,000

Appendix 2
Annual Project Definitions

The following pages provide the definitions for Annual Projects and the capital dollar limits at which an individual work order needs to be moved to a specific project and approved via a project authorization form.

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Appendix 2
Annual Project Definitions

CL&P Electric Distribution - Annual Project Definitions					
Project Code	**Project Type**	**Description**	**Program Owner**	**Work Order Capital Dollar Limit**	**Annual Funding Level Drivers & Other Considerations**
DF	Cable Rejuvenation & Replacement	DB Cable Cure Silicone Injection or Replacement	Mgr – Special Projects - Dist	$250,000	Operating company needs
DH	Highway/Road Relocations	Relocate facilities to accommodate road widening/improvements	Engineering Mgr - Distribution	$250,000	Historic spending levels, ID of CDOT, municipal and customer plans
DK	Maintain Voltage	Maintain voltage within DPUC mandated +3/-5% limits	Director – Engineering	$100,000	Historic spending levels, prior year peak Power Factor (correction) results
DN	New Business	Primary Service Inst/Removal, Load Growth/Capacity	Vice President - Customer Operations	$100,000	Historic spending levels, economic climate, housing permits/starts etc.
DQ	Obsolescence / Repair	Repair or replace failed or obsolete equipment	Vice President - Customer Operations	$50,000	Historic spending levels
DR	Reliability Improvement	Improve service reliability	Director – Engineering	$100,000	Historic spending levels, operating company needs and goals
DT	Distribution Transformers	Purchase and capitalization of distribution transformers (< 500 KVA)	Director – Engineering	$100,000	Historic spending levels, special needs
DV	Service Inst/Removal	Individual service installations and/or removals	Vice President - Customer Operations	$100,000	Historic spending levels

PSNH Electric Distribution - Annual Project Definitions

Project Code	Project Type	Description	Program Owner	Work Order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
DH	Highway/Road Relocations	Relocate facilities to accommodate road widening/improvements	Manager – Operations Support	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DK	Maintain Voltage	Maintain voltage within DPUC mandated +3/-5% limits	Manager – Field Engineering & Operations	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DL	Right of Way Lines	Repair or replace failed equipment	Manager – Distribution Maintenance	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DM	Meters	Meters for new service and retirements	Manager - Field Services	No Limit	Historic spending adjusted for known future work within Management defined spending cap.
DN	New Business	Primary Service Inst/Removal, Load Growth/Capacity	Manager – Operations Support	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DQ, AR, IF, INS	Obsolescence / Repair	Repair or replace failed or obsolete equipment	Manager – Operations Support	$100,000	Historic spending adjusted for known future work within Management defined spending cap.
DR	Reliability Improvement	Improve service reliability	Manager – Field Engineering & Operations	No Limit	Management discretion within annual project funding limit
DT	Distribution Transformers	Purchase and capitalization of distribution transformers (< 500 KVA)	Manager - Field Services	No Limit	Management discretion within annual project funding limit
DV	Service Inst/Removal	Individual service installations and/or removals	Manager – Operations Support	$100,000	Historic spending adjusted for known future work within Management defined spending cap.

PSNH Electric Generation - Annual Project Definitions

Project Code	Project Type	Description	Program Owner	Work Order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
PSWY010	Wyman #4 Joint Owner Contribution for Capital Improvements	Share of Capital Improvements to Wyman #4	Team Leader	$100,000	Annual project funding level based upon Florida Power budget estimates.
PSST	Generation Staff Improvements	Units of property with a value of less than $100K	Director	$100,000	Management discretion within annual project funding limit
PSMK	Merrimack Station Improvements	Units of property with a value of less than $100K	Station Manager	$100,000	Management discretion within annual project funding limit
SCHCAPAN	Schiller Station Improvements	Units of property with a value of less than $100K	Station Manager	$100,000	Management discretion within annual project funding limit
NEWCAPAN	Newington Station Improvements	Units of property with a value of less than $100K	Station Manager	$100,000	Management discretion within annual project funding limit
PSMS2	Generation Maintenance Improvements	Units of property with a value of less than $100K	Generation Maintenance Manager	$100,000	Management discretion within annual project funding limit
PHNH2	Hydro Station Improvements	Units of property with a value of less than $100K	Station Manager	$100,000	Management discretion within annual project funding limit

WMECO Electric Distribution - Annual Project Definitions					
Project Code	**Project Type**	**Description**	**Program Owner**	*** Work order Capital Dollar Limit**	**Annual Funding Level Drivers & Other Considerations**
DF	Cable Rejuvenation & Replacement	DB Cable Cure Silicone Injection or Replacement	Mgr System Planning	$100,000	Failure history and Operating Co priorities
DH	Highway/Road Relocations	Relocate facilities to accommodate road widening/improvements	Mgr System Planning	$100,000	Historic spending levels, Mass Hwy and municipal projects, customer driven projects
DK	Maintain Voltage	Maintain voltage within DPUC mandated +5/-5% limits	Mgr System Planning	$100,000	Historic spending levels, low voltage and power factor correction
DN	New Business	Primary Service Inst/Removal, Load Growth/Capacity	Dir Operations	$100,000	Historic spending levels, economic climate, housing permits/starts etc.
DQ, AR, IF, INS	Obsolescence/ Repair	Repair or replace failed or obsolete equipment	Dir Operations	$100,000	Historic spending levels. Operating Co priorities for replacement of obsolete distribution facilities.
DR	Reliability Improvement	Improve service reliability	Mgr System Planning	$100,000	Operating Co needs for maintaining or improving distribution reliability performance.
DT	Distribution Transformers	Purchase and capitalization of distribution line transformers	Mgr System Planning	$ No limit	Management discretion within annual project funding levels
DV	Service Inst/Removal	Individual service installations and/or removals	Dir Operations	$100,000	Historic spending levels and economic climate.

***** Requires approval of OCRC

CL&P, PSNH & WMECO Electric Substations - Annual Project Definitions					
*** Project Code**	**Project Type**	**Description**	**Program Owner**	**Capital Dollar Limit**	**Annual Funding Level Drivers & Other Considerations**
DS (CN)	Sys Renewal – Obsolescence	Distribution Substation Annuals	CL&P Supervisor – Substation Asset Management	$100,000	Historic Funding Levels
DS (EQ)	Sys Renewal – Equip Failures	Distribution Substation Annuals	CL&P Supervisor – Substation Asset Management	$100,000	Historic Funding Levels
DS (WN)	Sys Renewal – Equip Failures	Distribution Substation Annuals	Manager – Construction & Maintenance (WMECo)	$100,000	Historic Funding Levels
DS9RS	Distribution Substation Improvements	Distribution Substation Annuals	Manager – Engineering and Design (PSNH)	$50,000	Historic spending adjusted for known future work within Management defined spending cap.
DS9RP	Substation P&C Improvements	Distribution Substation Annuals	Manager – Engineering and Design (PSNH)	$50,000	Historic spending adjusted for known future work within Management defined spending cap.
DS9RD	Sys Renewal – Equip Failures	Distribution Substation Annuals	Manager – Distribution Maintenance	$50,000	Historic spending adjusted for known future work within Management defined spending cap.

CL&P & WMECO Electric Meters - Annual Project Definitions					
*** Project Code**	**Project Type**	**Description**	**Program Owner**	**Capital Dollar Limit**	**Annual Funding Level Drivers & Other Considerations**
DM	Meter Purchases	Purchase and capitalization of electric meters	Mgr – Meter Services	No Limit	Management discretion within annual project spending limit
GH	Meter Obsolescence / Repair	Repair or replace failed or obsolete equipment	Mgr – Meter Services	No Limit	Management discretion within annual project spending limit

* Project Codes with a * are set up for all area work centers.

Note: Other Annual Projects exist that are not detailed above. For example:
RE – Real Estate
GM, GX – Tools

Yankee Gas Services Co Gas Distribution - Annual Project Definitions					
Project Code	**Project Type**	**Description**	**Program Owner**	**Work Order Capital Dollar Limit**	**Annual Funding Level Drivers & Other Considerations**
MG*	Business Expansion	New Business Meters	Dir - Sales & Marketing	$50,000	Historical Expenditures
SG*	Business Expansion	New Business Services	Dir - Sales & Marketing	$50,000	Historical Expenditures
BGCN	Facilities	Structures and Improvements	Dir - Operation Services & HR	$25,000	Historical Expenditures / Future Needs
XDHT	General Plant & Equip	YG Construction Proj: Misc Tools	Dir – Field Operations	$50,000	Historical Expenditures
XGCN	General Plant & Equip	Misc General Plant	Dir - Field Operations	$50,000	Historical Expenditures
XLNG	General Plant & Equip	Misc LNG General Plant / Tools	Dir - LNG	$50,000	Historical Expenditures
XYGS	General Plant & Equip	Yankee Gas System Operations Tools	VP - Operations	$50,000	Historical Expenditures
DG*	System Reliability/Integrity	Emergency Main Replacement	VP - Operations	$75,000	Historical Expenditures
EGCN	System Reliability/Integrity	Regulator Stations	VP - Operations	$75,000	Historical Expenditures / Future Needs / Regulatory
MR*	System Reliability/Integrity	Blanket Meters	VP - Operations	$50,000	Historical Expenditures
VG*	System Reliability/Integrity	Emergency Service Replacement	VP - Operations	$50,000	Historical Expenditures
TMCN	System Reliability/Integrity	Telemetering	VP – Engineering / Sales	$50,000	Historical Expenditures / Future Needs
TS*	System Reliability/Integrity	10% Services	VP - Operations	$50,000	Historical Expenditures

Yankee Gas Services Co Gas Distribution - Annual Project Definitions, cont'd

Project Code	Project Type	Description	Program Owner	Work Order Capital Dollar Limit	Annual Funding Level Drivers & Other Considerations
JSCN*	System Reliability/Integrity	Joint Sealing Annual	VP - Operations	$50,000	Historical Expenditures
100250	System Reliability/Integrity	Corrosion Annual	VP - Operations	$50,000	Historical Expenditures

* Project Codes with a * are setup for all area work centers.

NSTAR Gas

If the total work order estimate (including both direct and indirect costs) is greater than $100,000, a specific project must be assigned and an authorization document must be completed. For New Business projects, a specific project authorization must be completed if the mains and services total cost estimate is greater than $100,000.

NSTAR Electric

If the total work order estimate (including both direct and indirect costs) is greater than $200,000, a specific project must be assigned and an authorization document must be completed. This applies to all programs and categories of work.

Appendix 2
Annual Project Definitions

Transmission - Annual Project Definitions (CL&P, PSNH & WMECO)					
Project Code	**Project Type**	**Description**	**Program Owner**	**Work Order Capital Dollar Limit**	**Annual Funding Level Drivers & Other Considerations**
GXTC	CL&P CT&M Tools Annual	Tools necessary to perform line, substation, relay and communication construction and maintenance	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
GXTN	PSNH CT&M Tools Annual	Tools necessary to perform line, substation, relay and communication construction and maintenance	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
GXTW	WMECO CT&M Tools Annual	Tools necessary to perform line, substation, relay and communication construction and maintenance	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
GXTT	CT&M Transmission TECH Support Annual	Additions, replacement and/or repair of SCADA and communications equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TS9R	PSNH Transmission Substation Annual	Additions, replacement and/or repair of substation equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels

TSCN	CL&P Transmission Substation Annual	Additions, replacement and/or repair of substation equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TSWN	WMECO Transmission Substation Annual	Additions, replacement and/or repair of substation equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TSCP	CL&P Transmission Substation P&C Annual	Additions, replacement and/or repair of protection and controls equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TSWP	WMECO Transmission Substation P&C Annual	Additions, replacement and/or repair of protection and controls equipment	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TL9R	PSNH Transmission Lines Annual	Additions, replacement and/or repair of transmission line facilities and appurtenances	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TLCN	CL&P Transmission Lines Annual	Additions, replacement and/or repair of transmission line facilities and appurtenances	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TLWN	WMECO Transmission Lines Annual	Additions, replacement and/or repair of transmission line facilities and appurtenances	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels

TVCP	CL&P Transmission Vehicle Purchases Annual	Vehicles necessary to construct and maintain transmission facilities (substation and lines)	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TVNP	PSNH Transmission Vehicle Purchases Annual	Vehicles necessary to construct and maintain transmission facilities (substation and lines)	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels
TVWP	WMECO Transmission Vehicle Purchases Annual	Vehicles necessary to construct and maintain transmission facilities (substation and lines)	VICE PRESIDENT-TRANSMISSION PROJ ENGINEERING & MTN	No Limit	Management discretion within annual project funding levels

Appendix 3

Subsidiary Board Approval Package Template



Subsidiary Board
Approval Template.pp

Note: to save, complete and print the template, please right click on the above icon and select Presentation Object and Edit



APS 1 Project Authorization Policy

Issue Date
01/20/2017

EVERSOURCE

APS 1 - Project Authorization Policy

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EVERSOURCE

APS 1 - Project Authorization Policy

Policy Statement

Project authorization includes the evaluation, decision-making, and approval of all projects. A project is defined as a commitment by Eversource of internal and/or external resources to accomplish an initiative that will have economic impact to the company, its customer and/or is required by policy or regulatory standards. The overall policy objective is that projects should be evaluated and approved in accordance with the Delegation of Authority Policy (DOA) prior to the commitment of company resources.

Typically projects include, but are not limited to:

- Purchase or construction of plant assets
- Purchase or lease of facilities, real estate, land or rights of way
- Purchase or development of information technology software and hardware, installations and upgrades
- Purchase of equipment, fixed assets, vehicles and materials including critical spares and those with long lead times
- Environmental projects
- Other significant corporate shared services projects taken on by the parent or service company
- Energy Efficiency special projects (not covered by annual recovery method)
- Non-routine maintenance and other expense projects

Please note this policy does not apply to the following:

- Energy supply obligations, which are monitored and approved by the Eversource Energy Risk Committee.

- Projects that require Eversource Board of Trustee (BOT) approval. Once BOT approval is obtained, a funding project must be established in Power Plan, approval documents attached, and approved according to DOA

If you believe you have a project that is an exception to this policy, for Operations projects, please contact the Director, Investment Planning, and for Corporate Shared Services projects, contact the Director, Budgeting and Financial Analysis.

Applicability of this Policy

All projects, regardless of size, must follow the authorization requirements in accordance with the DOA policy. In addition, for specific Operations and Corporate Shared Services projects that exceed the cost thresholds provided in Appendix 1, a Project Authorization Form (PAF) must be completed. If a specific project does not exceed the cost thresholds requiring a PAF, the project initiator or project manager may elect to complete a PAF, if desired.

The PAF specific to Operations projects (Operations PAF) is provided in Appendix 2. Questions concerning completion of a PAF for Operations should be directed to the Director, Investment Planning or a designee.

The PAF specific to Corporate Shared Services projects (Corporate Shared Services PAF) is provided in Appendix 3. Questions concerning completion of a PAF for Corporate Shared Services projects should be directed to the Director, Budgeting and Financial Analysis or a designee.

For purposes of this policy, an Operations project is defined as a project to be funded and/or managed by any organization under the Executive Vice President and Chief Operating Officer. All other projects are to be considered Corporate Shared Services projects. If the project is cross functional, between Operations and Corporate Shared Services, the project is to be defined based on the organization in which the Project Sponsor is located.

Other policies, charters or committees that govern capital projects of Eversource may introduce other requirements in addition to the requirements of this policy. However, this policy shall not be replaced in any way by any other policy or procedure, but rather those existing policies, charters or committees can augment what is required by this policy.

Authorization Process

Use of a Project Authorization Form

For capital projects a PAF must be completed to carry out the evaluation, decision-making, and approval process required by this policy. The items included in the Project Evaluation Criteria below should be reflected in the PAF in sufficient detail and with explanations so that the approver is fully informed and can make an educated approval decision. Templates of the PAF for Operations and Corporate Shared Services are included in Appendix 2 and Appendix 3 of this policy. The PAF must be approved by the project initiator and/or manager,

Plant Accounting, Director, Investment Planning (Operations Projects) or Director, Budgeting and Financial Analysis (Corporate Shared Services Projects) or designees, followed by appropriate approvals in accordance with the signature authority levels in the DOA. See Completing a PAF for Corporate Shared Services Projects for additional IT and Facilities approval requirements. If there are cross functional financial and/or operational impacts associated with the project a representative from the impacted areas shall also be required to approve the PAF.

It is expected that the level of detail included in the PAF be commensurate with the size and complexity of the project. The cost information included in the PAF should represent the costs for the entire project (capital and expense), including, but not limited to, direct costs, internal labor, internal indirect costs (overheads and loaders) and an estimate of capitalized interest or AFUDC, as applicable. Contributions in aid of construction (CIAC) or other reimbursements should be included in the PAF and if any contingencies are included in the estimated costs, they need to be identified and described in the project authorization form as well. Estimates regarding future costs and benefits and functional areas impacted should also be noted in the PAF. If future costs impact areas outside of the project, approval by that organization is required.

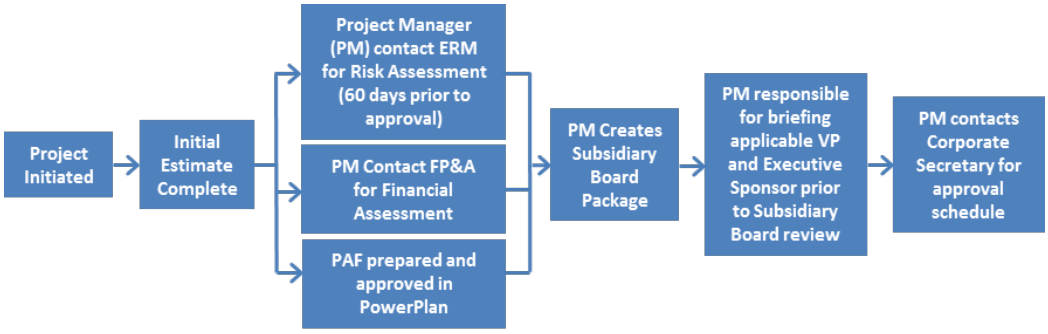
The project initiator or project manager is responsible for working with Plant Accounting to ensure that the PAF has a proper break-out of capital and O&M amounts prior to submitting it for approval through the DOA and for Software as a Service (SaaS) projects, that a separate analysis has been completed and attached to the PAF.

The PowerPlan system is the system of record for projects and project approval documentation covered by this policy, and is administered by the Vice President, Controller and Chief Accounting Officer. All electronic signature approvals, completed and approved PAFs, Subsidiary Board presentations, and approval materials shall be maintained in PowerPlan and will follow the pertinent corporate retention guidelines.

Whenever possible, the PAF should be completed during the capital planning process.

For any project that requires approval by one of the Eversource Subsidiary Boards in accordance with the DOA, presentation materials should be produced in addition to the PAF, and the items included in the Project Evaluation Criteria section of this policy should be included in the presentation materials or

evaluated in addition to those materials. The Corporate Secretary will coordinate the review and approval of any project subject to Subsidiary Board approval and provide guidelines with respect to approval requests. Following a Subsidiary Board's approval of a project, the Corporate Secretary or a designee will provide copies of signed Board minutes or certified Board resolutions which shall constitute approval documentation. A completed and approved PAF should also be included as part of the approval documentation. Projects that require Subsidiary Board approval will follow the process flow diagram below. The template provided in Appendix 5 should be used for the presentation with applicable sections completed.



Prior to any work being performed or resource commitments being made on a project, a PAF must be completed and approved electronically in PowerPlan by all required DOA levels and other individuals required to approve the PAF under this policy. In an emergency there may not be sufficient time to complete a PAF before a commitment is made. In such cases, the project sponsor must initiate the project and obtain approval via the signature page of the unfinished PAF as soon as practicable. The remainder of the PAF must be completed as soon as practicable. Please note that an emergency should be rare, limited to when there are significant impacts to customers and/or company operations, and should not be used when there are routine delays such as securing pricing terms.

Project Classifications

The PAF should classify projects as follows:

- Specific Project – a specific project requires a PAF. This applies to projects, programs and initiatives associated with one or more companies. Approvals should be obtained based upon the total cost of the project and in accordance with the DOA.

- Annual Program – an annual program includes many similar, small, and/or routine capital jobs performed over the course of a year for which one PAF, by operating company shall be prepared each year. As illustrated below, a PAF would be prepared each year for new service installations at CT Gas, but not for the new service installation projects established for each area work center or work orders used to track the new service installations. A similar example would apply to pole replacements at CT Electric.

Examples of Annual Program vs. Annual Project

Business	Project Authorization Form is Required at this Level Annual Program Type	Work Orders Track Actual Installations Annual Project
Gas	New service installations for CT Gas	New service installations by area work center
	Emergency replacement of gas services for CT Gas	Emergency replacements of gas services by area work center
Electric	Pole replacements for CT Electric	Pole replacements by area work center

  - Annual Projects roll up to an Annual Program. If a single work order within an Annual Project exceeds the applicable threshold established by each operating company included in Appendix1 then the work order shall be considered a separate project and require its own PAF.

- Preliminary Projects – in some cases, the full scope of a project may not be known or estimable, but authorization is required during the preliminary stage of a project where evaluation work, such as a preliminary study, engineering, environmental surveys, and other similar work may be done.

- Parent Projects – established when a) the scope of work spans more than one operating company, or b) there are multiple classes of plant to a project (e.g., distribution, transmission, land.)

- Authorization for Additional Resources may result from changes in scope and/or cost overruns and will require amended approval and require additional approvals as indicated under "Authorization Process for Additional Resources" below.

Only an Approved PAF and, if required, Subsidiary Board Approval Constitutes Approval

Neither project initiation nor inclusion of a project in the annual capital budget constitutes project approval. Final approval of a completed PAF and, if required, Subsidiary Board approval, is required before commitment of company resources, including the signing of contract agreements, construction, development, or system integration, can occur.

The project initiator should prepare the necessary documentation and plan for the appropriate timing for submission and approval.

Project Approval is not Transferable Even if the Cost Will Be Offset by a Reduction to Another Segment, Company, or Area

It is the general intent of this policy that project approval is specific to the project or program for which a PAF was created and may not be transferred between projects or programs, between segments, between Corporate Shared Services and an operating subsidiary, or between operating subsidiaries. However, if such a transfer is desired, or if reductions in spending in one area will be utilized to offset additional spending in another area, a specific project authorization form is still required for the project being proposed and approval of any "transfer" or offsetting reductions should be documented in the form as well. Any transfers of budgets or agreements to offset significant spending between organizations must be approved by the Vice President, Financial Planning and Analysis and if the Vice President, Financial Planning and Analysis deems appropriate, additional approvals may be requested, and the required approvals must be documented in the PAF.

Authorization Process for Additional Resources (Supplement Request Form)

If a project is expected to exceed the original authorized dollar amount, then the project manager is responsible for submitting a Supplement Request Form (Appendix 4) with a new total requested dollar amount and justification as soon as it is likely that the project cost is expected to increase from the original authorized dollar amount in accordance with the following criteria:

For Corporate Shared Services Projects:

For projects $500K to $10M - An increase in total authorized cost > 15% or;
For projects > $10M - An increase in total authorized cost > $1.5M

For Distribution Operations Projects:

For projects <= $250K - An increase in direct costs >= $25K or;
For projects >$250K - An increase in direct costs >10%

For Transmission Operations Projects:

For projects <= $500K – An increase in total authorized cost >= $75K
For projects $500K to $16.5M- An increase in total authorized cost > 15% or;
For projects > $16.5M - An increase in total authorized cost > $2.5M

The supplemental authorization should include an estimate of the additional costs expected to complete the project. Prior to spending any additional funds, the Supplemental Request Form should be routed to and approved by the appropriate approvers in accordance with the DOA based on the total project cost including the supplement. If the supplement request triggers Subsidiary Board approval, when not previously required, a Subsidiary Board presentation will be needed. Please refer to Authorization Process section above for further details.

In addition, the Vice President, Financial Planning and Analysis or a designee must approve all Supplemental Request Forms for projects with total cost increases of $1 million and above for Distribution Operations and Corporate Shared Services projects and $5 million and above for Transmission Operation projects. Such approval will follow at least one functional Vice President approval and precede CFO approval if required.

Responsibilities

- The **project initiator** is responsible for
  - Proposing the project
  - Preparing the PAF and/or other material that may be presented to the Subsidiary Boards
  - Involving the appropriate personnel (e.g., accounting, financial, regulatory, legal) to assist with documenting the evaluation criteria
  - Engaging Enterprise Risk Management and Financial Planning & Analysis review, if required
  - Routing the PAF for authorization

- The **project manager** is responsible for
  - Assisting with the project initiator's responsibilities
  - Ensuring that consultation has occurred with appropriate areas as needed to avoid unexpected issues after the project is approved
  - Working with Plant Accounting to ensure that the PAF has a proper break-out of capital and O&M amounts prior to submitting for approval through the DOA and for Software as a Service (SaaS) projects, that a separate analysis has been completed
  - Ensuring the Eversource Enterprise Risk Management group review of risks and risk mitigation plans and completion of Financial Planning & Analysis financial evaluation when required
  - Managing the project authorization
  - Overseeing the project
  - Submitting Supplement Request Forms when required.

- An area **Director or Vice President** or above is responsible for sponsoring the project

- Plant Accounting is responsible for reviewing PAF and approving the classification of costs between capital and expense. This conclusion should be made and documented prior to obtaining final approvals.

- The Eversource Enterprise Risk Management group is responsible for assisting project initiators or managers in identifying risks and risk mitigation plans for all projects requiring Subsidiary Board approval.

- The Financial Planning & Analysis organization is responsible for assisting project managers in completing the financial evaluation for all projects requiring Subsidiary Board approval.

- Questions regarding the appropriate group(s) to engage should be directed to the Director, Budgeting and Financial Analysis or the Director, Investment Planning.

Completing a PAF for Corporate Shared Services Projects

Information Technology (IT) Projects

For IT projects, the PAF should address the additional evaluation criteria for IT projects. Given the unique considerations related to IT projects, all PAFs for IT projects, and any associated requests for additional resources, must also be approved by the Senior Vice President and Chief Information Officer, or a designee, in addition to approvals through the appropriate levels of authority in accordance with the DOA.

For projects involving Software as a Service (SaaS) or other agreements involving the right to use software, prior to project authorization a separate analysis is required to be completed and approved by Plant Accounting and Budgeting and Financial Analysis and attached to the PAF.

Facilities and Environmental Projects

Given the unique considerations that apply to Facilities and Environmental based projects, all of these types of projects regardless of size and any associated request for additional resources, must also be approved by the Vice President, Supply Chain, Environmental Affairs and Property Management, or a designee.

Project Evaluation Criteria for Corporate Shared Services Projects

The information below should be provided in order for an approver of a Corporate Shared Services project to evaluate a project subject to this policy. Spending for Corporate Shared Services projects may not commence until all required authorizations are obtained. The extent of the information provided should increase along with the size, complexity, and risk of the project.

- General Information
  - Project title, company and identification number
  - Project initiator, project manager and project sponsor

- Indicate if the project is part of the approved Operating Plan for the year (capital and O&M budgets)
- Indicate if a Transfer of Funds Request or Emergency Related Request
- Total request, estimated in-service date(s) and other information included on the PAF

- Project Authorization
- Executive Summary
- Project Cost Summary
- Financial Evaluation
  - Unique payment provisions
  - Project cost in total and by year, including
    - Direct capital costs (labor, outside services, materials and all other costs associated with getting the project ready for its intended use)
    - Indirect capital costs (including loaders and allocators)
    - An estimate of capitalized interest or AFUDC, as applicable
    - O&M costs
    - Contingency amounts, including assumptions and calculations, and justification
- Overall Justification
  - Project Needs
  - Project Scope
  - Project Objectives
  - Project Background/Justification
  - Business Process/Technical Improvements
    - Project benefits, including business performance metrics; describe assumptions used to estimate benefits and customer impacts
  - Future Financial Impacts including areas to be impacted, IRR, NPV, and payback period if applicable
  - Asset Retirement Obligation and/or associated Environmental Cleanup Costs
  - Alternatives Considered
  - Project Schedule
  - Regulatory Approvals required, if any
  - Risks and risk mitigation plans; risks to be considered include
    - Construction
    - Customer/reputational/regulatory
    - Schedule
    - Financial
    - Environmental
    - IT (if applicable)

- References (additional supporting documentation)
- Diagrams, Attachments, Images

- Additional evaluation criteria for IT projects
  - Applications impacted, including interfaces and interdependencies, and implications (diagram may be helpful)
  - Assessment of fit in overall IT strategy
  - Controls over migration, change management plan including impacts to business processes, business continuity and SOX assessments

Completing a PAF for Operations Projects

The project authorization process for Operations consists of two parts: technical authorization using the Technical Authorization Form (TAF – the TAF is as subset of the PAF for Operations) and financial authorization using the Project Authorization Form (PAF)

The first phase of a completed Operations PAF is to complete the technical authorization of the proposed project. The scope and complexity of an approved project will determine whether the PAF request is for full or initial partial funding. Initial partial funding will be requested for projects that require a significant level of engineering in order to prepare a project cost estimate with a range of +/- 10% In the case of less complex projects, they may move directly to the financial authorization stage with the completion of the PAF for full funding.

Note: If a technical authorization does not result in an approved project, then the project manager is required to determine the accounting disposition of the work order containing accumulated charges.

The two sections of the Operations PAF are described below:

Project Evaluation Criteria for Operations Projects

The information below should be provided in order for an approver to evaluate a project subject to this policy. The extent of the information provided should increase along with the size, complexity, and risk of the project.

Operations Project Authorization Form - PAF

- General information
  - Project name, company and identification number

  - Project initiator, project manager and project sponsor
  - Indicate if the project is for funding of an annual, full funding of a specific project or preliminary funding (Phase 1) of a specific project
  - Indicate if the project is Pool Transfer Facility (PTF), Non-PTF or NA
  - Indicate if the project is part of the approved Operating Plan for the year (capital and O&M budgets)
  - Indicate if this is for additional resources; if so, the reason for additional funding
  - Project timing and estimated in-service date
- Project Authorization
- Executive summary
- Project Cost Summary
- Financial evaluation
  - Project cost in total and by year, including
    - Direct capital costs (labor, outside services, materials and all other costs associated with getting the project ready for its intended use)
    - Indirect capital costs (including loaders and allocators)
    - Less customer contribution
    - An estimate of capitalized interest or AFUDC, as applicable
    - O&M costs
    - Unique payment provisions
  - Future costs and area affected
  - Asset Retirement Obligation and/or associated Environmental Cleanup Costs

Operations Project Authorization Form – Technical Authorization Form (TAF) subsection

- General information
  - Project name, company and identification number
  - Project initiator, project manager and project sponsor
  - Indicate if the project is for funding of an annual, full funding of a specific project or preliminary funding (Phase 1) of a specific project
  - Indicate if the project is PTF, Non-PTF or NA
  - Project timing and estimated in-service date
  - Authorization Type (Preliminary Engineering, Engineering, Construction)
  - Authorization Amount
- Project Need Statement
- Project Objectives
- Project Scope
- Background / Justification

- Business Process and / or Technical Improvements
- Cost Estimate and Assumptions
- Alternatives considered with associated cost estimates
- Project Schedule
  - Milestone / Phase Name
  - Estimated Completion Dates
- Regulatory Approvals Required
- Project Risks and Risk Mitigation Plans
- Reference Material
- Additional Information
  - One-line diagrams
  - Attachments
  - Images

Policy Sponsorship

The Executive Vice President, Chief Financial Officer and Treasurer is the sponsor of this policy. The Vice President, Financial Planning and Analysis is responsible for the administration of project authorizations related to this policy. The Vice President, Controller and Chief Accounting Officer is responsible for the administration of accounting, internal controls and PowerPlan system and processes related to this policy.

Revision History

0 Original issue – May 3, 2013

1 Updates for authorization process, PAF changes and DOA references – June 25, 2014

2 Updates to clarify the policy as it relates to project approvals of budget transfers or utilization of spending reductions to offset increased spending between organizations, requiring a PAF that documents CFO or if he deems appropriate, CEO approval of a significant transfer between organizations. Indicates that the threshold for approval of additional project resources is based on direct cost increases and that PAFs will be maintained in PowerPlan. Adds subsidiary board approval template and requires consultation with a designated representative of the CFO organization for financial evaluation of projects requiring approval by subsidiary board or CEO – January 23, 2015

3 Updates for organizational and approval changes and Eversource name change. Components of capital spending added to the PAF – June 18, 2015

4 Combine APS1 & APS2 and provide specific PAF Forms for Corporate Shared Services, and Operations, and supplemental requests – January 20, 2017

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APS 1 - Project Authorization Policy

Appendix 1
Project Authorization Form Thresholds

Project Authorization Form (PAF) Thresholds

For projects with a cost estimate that exceeds the thresholds shown below, a PAF is required. Organizations may elect to use lower thresholds. The project cost is defined as the gross cost of the project before offsets such as CIAC or other reimbursements.

Distribution and Generation – (Direct Cost)	
CT Electric	$100,000
MA Electric	$100,000
NH Electric	$100,000
Gas – (Direct Cost)	
NSTAR Gas	$100,000
Yankee Gas	$100,000
Transmission – (Total Cost)	$500,000
Corporate Shared Services – (Total Cost)	$500,000

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Appendix 2
Operations Project Authorization Form

Operations Project Authorization Form

Date Prepared:	Project Title:
Company/ies:	Project ID Number:
Organization:	Class(es) of Plant:
Project Initiator:	Project Category:
Project Manager:	Project Type: *Specific / Annual / Prelim Project / Parent*
Project Sponsor:	Project Purpose: part of regulatory tracked program?
Estimated in service date:	If Transmission Project: PTF / Non-PTF / NA
Eng. /Constr. Resources Budgeted?	Capital Investment Part of Original Operating Plan?
	O&M Expenses Part of the Original Operating Plan?

Project Authorization

Project authorization must be in accordance with the approval levels included in the Delegation of Authority Policy (DOA).

If Subsidiary Board approval is required, document the review by Enterprise Risk Management (ERM) and Financial Planning and Analysis (FP&A)

ERM: _____

FP&A: _____

Executive Summary

Project Costs Summary

See APS3 and APS8 requirements and consult with Plant Accounting for capital/O&M determination. Use published loaders for benefits, materials, and invoices, maintained by the Director, Budget and Internal Reporting.
Note: Dollar values are in thousands

	Prior Authorized	20__	20__	20__+	Totals
Capital Additions - Direct	$ -	$ -	$ -	$ -	$ -
Less Customer Contribution	-	-	-	-	-
Removals net of Salvage ____%	-	-	-	-	-
Total - Direct Spending	$ -	$ -	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-	-	-
Subtotal Request	$ -	$ -	$ -	$ -	$ -
AFUDC	-	-	-	-	-
Total Capital Request	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Total Request	$ -	$ -	$ -	$ -	$ -

Financial Evaluation

Provide the following financial information (attach additional detail if summarized items are significant or additional information is needed). Note: Dollar values are in thousands

Direct Capital Costs	Year 1	Year 2	Year 3+	Total
Straight Time Labor				
Overtime Labor				
Outside Services				
Materials				
Other, including contingency amounts (describe)				
Total				

Indirect Capital Costs	Year 1	Year 2	Year 3+	Total
Indirects/Overheads (including benefits)				
Capitalized interest or AFUDC, if any				
Total				

Total Capital Costs				
Less Total Customer Contribution				
Total Capital Project Costs				
Total O&M Project Costs				

Note: Explain unique payment provisions, if applicable

If this is a new business project, is a customer contribution required? If yes, please note the contribution amount.

In addition, for all electric and gas growth / new business projects, please attach the CIAC calculation

Provide other financial documentation as warranted by management and / or regulatory precedent. When performing financial analysis, use appropriate discount rate by company (can be provided by Budgeting and Internal Reporting or Financial Planning and Analysis).

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APS 1 - Project Authorization Policy

Appendix 2
Operations Project Authorization Form

Future Financial Impacts:

Provide below the estimated future costs that will result from the project:
Note: Dollar values are in thousands:

Future Costs	Year 20__	Year 20__	Year20__	Year 20__+	Total Future Project Costs
Capital	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Describe the estimated future Capital, O&M and/or Other costs noted above:

What functional area(s) will these future costs be funded in?_____
A representative from the respective functional area is required to be included as a project approver.

If this is other than a Reliability Project, please complete the section below;

Provide below the estimated financial benefits that will result from the project:
Note: Dollar values are in thousands:

Future Benefits	Year 20__	Year 20__	Year20__	Year 20__+	Total Future Project Benefits
Capital	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Describe the estimated future Capital, O&M and/or Other benefits noted above:

What functional area(s) will these benefits be reflected in?_____
A representative from the respective functional area is required to be included as a project approver.

Asset Retirement Obligation (ARO) and/ or Environmental Cleanup Costs (Environmental Liabilities):

An ARO is a current legal obligation to remove or retire property, plant or equipment at some point in the future. Please refer to APS8 or contact Plant Accounting for further detail.

Is there an ARO associated with this project? If yes, please provide details:

Are there other environmental cleanup costs associated with this project? If yes, please provide details.

Operations Technical Authorization Form

Date Prepared:	Project Title:
Company/ies:	Project ID Number:
Organization:	Class(es) of Plant:
Project Initiator:	Project Category:
Project Manager:	Project Type: *Specific / Annual / Prelim Project / Parent*
Project Sponsor:	Project Purpose: part of regulatory tracked program?
Estimated in service date:	If Transmission Project: *PTF / Non-PTF / NA*
Authorization Type: *Prelim Eng, Eng, Construct.*	Authorization Amount:

Project Need Statement *(Description of Issue)*

Project Objectives

Project Scope

Background / Justification

Business Process and / or Technical Improvements:
Quantitative and qualitative project benefits, including assumptions used to estimate benefits and customer impacts; describe the changes in performance to the business process or technology performance metrics that can be expected as a result of this project

Cost Estimate and Assumptions

Alternatives Considered with Cost Estimates

Project Schedule

Describe the project schedule and milestones. Include estimated start and end dates.

Milestone/Phase Name	Estimated Completion Date

Regulatory Approvals

Risks and Risk Mitigation Plans

Describe the applicable risks and associated risk mitigation plans: e.g., construction, customer, reputational, schedule, financial, regulatory, environmental and IT risks. Indicate discussions with relevant subject matter experts.

References

One-Line Diagrams, Attachments, and Images

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APS 1 - Project Authorization Policy

Appendix 3
Corporate Shared Service Project Authorization Form

Corporate Shared Services Project Authorization Form

Date Prepared:	Project Title:
Company/Companies:	Project ID Number:
Organization:	Plant Class/(F.P.Type):
Project Initiator:	Project Type: *Specific / Annual / Prelim Project / Parent*
Project Manager:	Capital Investment Part of Original Operating Plan? Y / N
Project Sponsor:	O&M Expenses Part of the Original Operating Plan? Y / N
Estimated in service date(s):	Transfer of Funds Request: Y / N
Total Request:	Emergency Related Request: Y / N

Project Authorization

Project Authorization Forms must be completed for Corporate Shared Services projects totaling $500K or greater in accordance with the Project Authorization Policy and approval levels in the Delegation of Authority Policy (DOA).

If Subsidiary Board approval is required (Corporate Shared Services capital projects > $15M), document the review by Enterprise Risk Management (ERM) and Financial Planning and Analysis (FP&A) (attach email approval).

ERM: _____

FP&A: _____

If this is a Transfer of Funds Request Vice President of Financial Planning and Analysis approval is required. If the Vice President of Financial Planning and Analysis deems appropriate, additional approvals may also be required (see page 7 of the Project Authorization Policy – Project Approval is not Transferable for further detail):

Date of Approval
CFO:_____

Other:_____

Documentation/Explanation:_____

Executive Summary

(If related to an Emergency Request – please provide specific details of emergency situation and operational impacts to business and/or customer.)

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APS 1 - Project Authorization Policy

Appendix 3
Corporate Shared Service Project Authorization Form

Project Costs Summary

See APS3 and APS8 requirements and consult with Plant Accounting for capital/O&M determination. Use published loaders for benefits, materials, and invoices, maintained by the Director, Budget and Financial Analysis.

Note: Dollar values are in thousands:

	Year 20__	Year 20__	Year 20__ +	Totals
Capital Additions - Direct	$ -	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-	-
Removals net of salvage ____%	-	-	-	-
Subtotal Request	-	-	-	-
O&M	-	-	-	-
Total Request	**$ -**	**$ -**	**$ -**	**$ -**

Financial Evaluation

Provide the following financial information (provide additional detail if summarized items are significant, additional information is needed or there are unique payment provisions).

Note: Dollar values are in thousands:

Direct Capital Costs	**Year 20___**	**Year 20___**	**Year 20___ +**	**Total**
Straight Time Labor	$ -	$ -	$ -	$ -
Overtime	-	-	-	-
Outside Services/Consultants	-	-	-	-
Software	-	-	-	-
Hardware	-	-	-	-
Materials	-	-	-	-
Other, including contingency amounts (Describe) Contingency ____%	-	-	-	-
Total Direct Capital Costs	**$ -**	**$ -**	**$ -**	**$ -**

Indirect Capital Costs	**Year 20___**	**Year 20___**	**Year 20___ +**	**Total**
Indirects/Overheads (including benefits)	$ -	$ -	$ -	$ -
Capitalized interest or AFUDC , if any	-	-	-	-
Total Indirect Capital Costs	**$ -**	**$ -**	**$ -**	**$ -**
Total Capital Costs	**$ -**	**$ -**	**$ -**	**$ -**
Total O&M Costs	**$ -**	**$ -**	**$ -**	**$ -**
Total Project Costs	**$ -**	**$ -**	**$ -**	**$ -**
Vendor software payments (indicate whether or not included in the above)*	$ -	$ -	$ -	$ -

*Accounting for vendor software payments for SaaS or other agreements involving the right to use software is to be determined by a separate analysis, and approval by Plant Accounting and Budgeting and Financial Analysis is required. Plant Accounting maintains a checklist to aid in this analysis.

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APS 1 - Project Authorization Policy

Appendix 3
Corporate Shared Service Project Authorization Form

By Company Summary:

Note: Dollar values are in thousands:

	Entity ____	Entity ____	Entity ____	Entity ____	Totals
Capital Additions - Direct	$ -	$ -	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-	-	-
Removals net of salvage ____%	-	-	-	-	-
Subtotal Request	-	-	-	-	-
O&M	-	-	-	-	-
Total Request	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Overall Justification:

Project Need Statement *(Description of Issue)*

Project Scope

Project Objectives

Background / Justification

Business Process and / or Technical Improvements: *Quantitative and qualitative project benefits, including assumptions used to estimate benefits and customer impacts; describe the changes in performance to the business process or technology performance metrics that can be expected as a result of this project*

Future Financial Impacts:

Provide below the estimated future costs that will result from the project:
Note: Dollar values are in thousands:

Future Costs	Year 20__	Year 20__	Year 20__	Year 20__+	Total Future Project Costs
Capital	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Describe the estimated future Capital, O&M and/or Other costs noted above:

What functional area(s) will these future costs be funded in?_____
A representative from the respective functional area is required to be included as a project approver.

Provide below the estimated financial benefits that will result from the project:
Note: Dollar values are in thousands:

Future Benefits	Year 20__	Year 20__	Year 20__	Year 20__+	Total Future Project Benefits
Capital	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Describe the estimated future Capital, O&M and/or Other benefits noted above:

What functional area(s) will these benefits be reflected in?_____
A representative from the respective functional area is required to be included as a project approver.

What is the project's IRR? _____

What is the project's NPV? _____

What is the project's payback period? _____

Use appropriate discount rate by company and associated corporate models (to be provided by Financial Planning and Analysis).

If the above items are not applicable, explain why (e.g., if negative but there are other reasons to proceed).

Asset Retirement Obligation (ARO) and/or Environmental Cleanup Costs (Environmental Liabilities):

An ARO is a current legal obligation to remove or retire property, plant or equipment at some point in the future. Please refer to APS8 or contact Plant Accounting for further detail.

Is there an ARO associated with this project? If yes, please provide details:

Are there other environmental cleanup costs associated with this project? If yes, please provide details.

Alternatives Considered with Cost Estimates

Project Schedule

Describe the project schedule and milestones. Include estimated start and end dates.

Milestone/Phase Name	Estimated Start - Completion Date

Regulatory Approvals

Risks and Risk Mitigation Plans

Describe the applicable risks and associated risk mitigation plans: e.g., construction, customer, reputational, schedule, financial, regulatory, environmental, safety and IT risks. Indicate discussions with relevant subject matter experts.

References (*additional supporting documentation*)

Diagrams, Attachments, and Images

Authorization Criteria Specific to IT Projects

Describe the applications that are impacted and include information regarding the interfaces and interdependencies related to this IT project (diagrams may be considered to assist in review and approval).

Assess the fit of this IT project with the overall IT strategy.

Describe control matters, such as the processes for data migration, change management plan including impacts to business processes, data maintenance controls, whether or not this IT project will be or impacts a Sarbanes-Oxley critical application, and the business continuity plan.

Attached SaaS form where applicable.

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APS 1 - Project Authorization Policy

Appendix 4
Supplement Request Form

Supplement Request Form

Date Prepared:	Project Title:
Company/Companies:	Project ID Number:
Organization:	Plant Class/(F.P.Type):
Project Initiator:	Project Type: *Specific / Annual / Prelim Project / Parent*
Project Manager:	Capital Investment Part of Original Operating Plan? Y / N
Project Sponsor:	O&M Expenses Part of the Original Operating Plan? Y / N
Current Authorized Amount:	Estimated in service date(s):
Supplement Request:	Other:
Total Request:	

Supplement Justification

Supplement Request Forms must be completed for projects in accordance with the Project Authorization Policy and approval levels in the Delegation of Authority Policy (DOA) as follows:

For Corporate Shared Services Projects:
For projects $500K to $10M - An increase in total authorized cost > 15% or;
For projects > $10M - An increase in total authorized cost > $1.5M

For Distribution Operations Projects:
For projects <= $250K - An increase in direct costs >= $25K or;
For projects >$250K - An increase in direct costs >10%

For Transmission Operations Projects:
For projects <= $500K – An increase in total authorized cost >= $75K
For projects $500K to $16.5M- An increase in total authorized cost > 15% or;
For projects > $16.5M - An increase in total authorized cost > $2.5M

Justification for Additional Resources

In this section, please provide a detailed and comprehensive justification for the additional resources. Please include, scope changes, dollar changes, the reasons for the changes, etc.

In addition, please attach a copy of the prior authorized PAF as reference

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APS 1 - Project Authorization Policy

Appendix 4
Supplement Request Form

Supplement Cost Summary

Note: Dollar values are in thousands:

	Prior Authorized	Supplement Request	Total
Capital Additions - Direct	$ -	$ -	$ -
Less Customer Contribution	-	-	-
Removals net of Salvage ____%	-	-	-
Total Direct Spending	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-
AFUDC	-	-	-
Total Capital Request	$ -	$ -	$ -
O&M	-	-	-
Total Request	**$ -**	**$ -**	**$ -**

Note: Dollar values are in thousands:

Total Supplement Request by year view:

	Year 20__	Year 20__	Year 20__+	Total
Capital Additions - Direct	$ -	$ -	$ -	$ -
Less Customer Contribution	-	-	-	-
Removals net of Salvage ____%	-	-	-	-
Total Direct Spending	$ -	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-	-
AFUDC	-	-	-	-
Total Capital Request	$ -	$ -	$ -	$ -
O&M	-	-	-	-
Total Request	**$ -**	**$ -**	**$ -**	**$ -**

Subsidiary Board Approval Package Template



Sub Board Approval Template.pptx

Note: to save, complete and print the template, please right click on the above icon and select Presentation Object and Edit



APS 1 Project Authorization Policy

Issue Date
10/20/17

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APS 1 - Project Authorization Policy

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APS 1 - Project Authorization Policy

Policy Statement

Project authorization includes the evaluation, decision-making, and approval of all projects. A project is defined as a commitment by Eversource of internal and/or external resources to accomplish an initiative that will have economic impact to the company, its customer and/or is required by policy or regulatory standards. The overall policy objective is that projects should be evaluated and approved in accordance with the Delegation of Authority Policy (DOA) prior to the commitment of company resources.

Typically, projects include, but are not limited to:

- Purchase or construction of plant assets
- Purchase or lease of facilities, real estate, land or rights of way
- Purchase or development of information technology software and hardware, installations and upgrades
- Purchase of equipment, fixed assets, vehicles and materials including critical spares and those with long lead times
- Environmental projects
- Other significant corporate shared services projects taken on by the parent or service company
- Energy Efficiency special projects (not covered by annual recovery method)
- Non-routine maintenance and other expense projects

Please note this policy does not apply to the following:

- Energy supply obligations, which are monitored and approved by the Eversource Energy Risk Committee.

- Projects that require Eversource Board of Trustee (BOT) approval. Once BOT approval is obtained, a funding project must be established in Power Plant, approval documents attached, and approved according to DOA

If you believe you have a project that is an exception to this policy, for Operations projects, please contact the Director, Investment Planning, and for Corporate Shared Services projects, contact the Director, Budgeting and Financial Analysis.

Applicability of this Policy

All projects, regardless of size, must follow the authorization requirements in accordance with the DOA policy. In addition, for specific Operations and Corporate Shared Services projects that exceed the cost thresholds provided in

Appendix 1, a Project Authorization Form (PAF) must be completed. If a specific project does not exceed the cost thresholds requiring a PAF, the project initiator or project manager may elect to complete a PAF, if desired.

The PAF specific to Operations projects (Operations PAF) is provided in Appendix 2. Questions concerning completion of a PAF for Operations should be directed to the Director, Investment Planning or a designee.

The PAF specific to Corporate Shared Services projects (Corporate Shared Services PAF) is provided in Appendix 3. Questions concerning completion of a PAF for Corporate Shared Services projects should be directed to the Director, Budgeting and Financial Analysis or a designee.

For purposes of this policy, an Operations project is defined as a project to be funded and/or managed by any organization under the Executive Vice President and Chief Operating Officer. All other projects are to be considered Corporate Shared Services projects. If the project is cross functional, between Operations and Corporate Shared Services, the project is to be defined based on the organization in which the Project Sponsor is located.

Other policies, charters or committees that govern capital projects of Eversource may introduce other requirements in addition to the requirements of this policy. However, this policy shall not be replaced in any way by any other policy or procedure, but rather those existing policies, charters or committees can augment what is required by this policy.

Authorization Process

Use of a Project Authorization Form

For capital projects a PAF must be completed to carry out the evaluation, decision-making, and approval process required by this policy. The items included in the Project Evaluation Criteria below should be reflected in the PAF in sufficient detail and with explanations so that the approver is fully informed and can make an educated approval decision. Templates of the PAF for Operations and Corporate Shared Services are included in Appendix 2 and Appendix 3 of this policy. The PAF must be approved by the project initiator and/or manager, Plant Accounting, Director, Investment Planning (Operations Projects) or Director, Budgeting and Financial Analysis (Corporate Shared Services Projects) or designees, followed by appropriate approvals in accordance with the signature authority levels in the DOA. See Completing a PAF for Corporate Shared

Services Projects for additional IT and Facilities approval requirements. If there are cross functional financial and/or operational impacts associated with the project a representative from the impacted areas shall also be required to approve the PAF.

It is expected that the level of detail included in the PAF be commensurate with the size and complexity of the project. The cost information included in the PAF should represent the costs for the entire project (capital and expense), including, but not limited to, direct costs, internal labor, internal indirect costs (overheads and loaders) and an estimate of capitalized interest or AFUDC, as applicable. Contributions in aid of construction (CIAC) or other reimbursements should be included in the PAF and if any contingencies are included in the estimated costs, they need to be identified and described in the project authorization form as well. Estimates regarding future costs and benefits and functional areas impacted should also be noted in the PAF. If future costs impact areas outside of the project, approval by that organization is required.

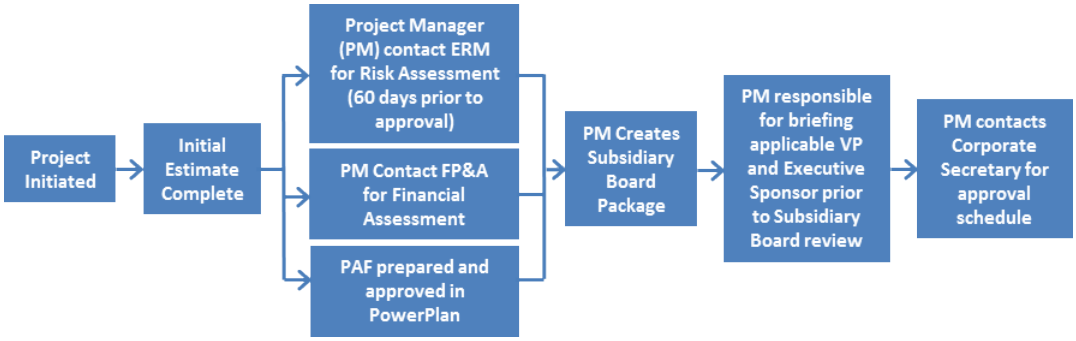
The project initiator or project manager is responsible for working with Plant Accounting to ensure that the PAF has a proper break-out of capital and O&M amounts prior to submitting it for approval through the DOA and for Software as a Service (SaaS)/Cloud projects, that a separate analysis has been completed and included in the PAF (Appendix 3, page 7).

The Power Plant system is the system of record for projects and project approval documentation covered by this policy, and is administered by the Vice President, Controller and Chief Accounting Officer. All electronic signature approvals, completed and approved PAFs, Subsidiary Board presentations, and approval materials shall be maintained in Power Plant and will follow the pertinent corporate retention guidelines.

Whenever possible, the PAF should be completed during the capital planning process.

For any project that requires approval by one of the Eversource Subsidiary Boards in accordance with the DOA, presentation materials should be produced in addition to the PAF, and the items included in the Project Evaluation Criteria section of this policy should be included in the presentation materials or evaluated in addition to those materials. The Corporate Secretary will coordinate the review and approval of any project subject to Subsidiary Board approval and provide guidelines with respect to approval requests. Following a Subsidiary Board’s approval of a project, the Corporate Secretary or a designee will provide copies of signed Board minutes or certified Board resolutions which shall constitute approval documentation. A completed and approved PAF should also

be included as part of the approval documentation. Projects that require Subsidiary Board approval will follow the process flow diagram below. The template provided in Appendix 5 should be used for the presentation with applicable sections completed.



Prior to any work being performed or resource commitments being made on a project, a PAF must be completed and approved electronically in Power Plant by all required DOA levels and other individuals required to approve the PAF under this policy. In an emergency there may not be sufficient time to complete a PAF before a commitment is made. In such cases, the project sponsor must initiate the project and obtain approval via the signature page of the unfinished PAF as soon as practicable. The remainder of the PAF must be completed as soon as practicable. Please note that an emergency should be rare, limited to when there are significant impacts to customers and/or company operations, and should not be used when there are routine delays such as securing pricing terms.

Project Classifications

The PAF should classify projects as follows:

- Specific Project – a specific project requires a PAF. This applies to projects, programs and initiatives associated with one or more companies. Approvals should be obtained based upon the total cost of the project and in accordance with the DOA.

- Annual Program – an annual program includes many similar, small, and/or routine capital jobs performed over the course of a year for which one PAF, by operating company shall be prepared each year. As illustrated below, a PAF would be prepared each year for new service installations at CT Gas, but not for the new service installation projects established for each area work

center or work orders used to track the new service installations. A similar example would apply to pole replacements at CT Electric.

Examples of Annual Program vs. Annual Project

Business	Project Authorization Form is Required at this Level Annual Program Type	Work Orders Track Actual Installations Annual Project
Gas	New service installations for CT Gas	New service installations by area work center
	Emergency replacement of gas services for CT Gas	Emergency replacements of gas services by area work center
Electric	Pole replacements for CT Electric	Pole replacements by area work center

- Annual Projects roll up to an Annual Program. If a single work order within an Annual Project exceeds the applicable threshold established by each operating company included in Appendix1 then the work order shall be considered a separate project and require its own PAF.

- Preliminary Projects – in some cases, the full scope of a project may not be known or estimable, but authorization is required during the preliminary stage of a project where evaluation work, such as a preliminary study, engineering, environmental surveys, and other similar work may be done.
- Parent Projects – established when a) the scope of work spans more than one operating company, or b) there are multiple classes of plant to a project (e.g., distribution, transmission, land.)
- Authorization for Additional Resources may result from changes in scope and/or cost overruns and will require amended approval and require additional approvals as indicated under “Authorization Process for Additional Resources” below.

Only an Approved PAF and, if required, Subsidiary Board Approval Constitutes Approval

Neither project initiation nor inclusion of a project in the annual capital budget constitutes project approval. Final approval of a completed PAF and, if required, Subsidiary Board approval, is required before commitment of company resources, including the signing of contract agreements, construction, development, or system integration, can occur.

The project initiator should prepare the necessary documentation and plan for the appropriate timing for submission and approval.

Project Approval is not Transferable Even if the Cost Will Be Offset by a Reduction to Another Segment, Company, or Area

It is the general intent of this policy that project approval is specific to the project or program for which a PAF was created and may not be transferred between projects or programs, between segments, between Corporate Shared Services and an operating subsidiary, or between operating subsidiaries. However, if such a transfer is desired, or if reductions in spending in one area will be utilized to offset additional spending in another area, a specific project authorization form is still required for the project being proposed and approval of any “transfer” or offsetting reductions should be documented in the form as well. Any transfers of budgets or agreements to offset significant spending between organizations must be approved by the Vice President, Financial Planning and Analysis and if the Vice President, Financial Planning and Analysis deems appropriate, additional approvals may be requested, and the required approvals must be documented in the PAF.

Authorization Process for Additional Resources (Supplement Request Form)

If a project is expected to exceed the original authorized dollar amount, then the project manager is responsible for submitting a Supplement Request Form (Appendix 4) with a new total requested dollar amount and justification as soon as it is likely that the project cost is expected to increase from the original authorized dollar amount in accordance with the following criteria:

<u>For Corporate Shared Services Projects:</u>

For projects $500K to $10M - An increase in total authorized cost > 15% or;
For projects > $10M - An increase in total authorized cost > $1.5M

For Distribution Operations Projects:

For projects <= $250K - An increase in direct costs >= $25K or;
For projects >$250K - An increase in direct costs >10%

For Transmission Operations Projects:

For projects <= $500K – An increase in total authorized cost >= $75K
For projects $500K to $16.5M- An increase in total authorized cost > 15% or;
For projects > $16.5M - An increase in total authorized cost > $2.5M

The supplemental authorization should include an estimate of the additional costs expected to complete the project. Prior to spending any additional funds, the Supplemental Request Form should be routed to and approved by the appropriate approvers in accordance with the DOA based on the total project cost including the supplement. If the supplement request triggers Subsidiary Board approval, when not previously required, a Subsidiary Board presentation will be needed. Please refer to Authorization Process section above for further details.

In addition, the Vice President, Financial Planning and Analysis or a designee must approve all Supplemental Request Forms for projects with total cost increases of $1 million and above for Distribution Operations and Corporate Shared Services projects and $5 million and above for Transmission Operation projects. Such approval will follow at least one functional Vice President approval and precede CFO approval if required.

Responsibilities

- The **project initiator** is responsible for
  - Proposing the project
  - Preparing the PAF and/or other material that may be presented to the Subsidiary Boards
  - Involving the appropriate personnel (e.g., accounting, financial, regulatory, legal) to assist with documenting the evaluation criteria
  - Engaging Enterprise Risk Management and Financial Planning & Analysis review, if required
  - Routing the PAF for authorization

- The **project manager** is responsible for
  - Assisting with the project initiator's responsibilities

- Ensuring that consultation has occurred with appropriate areas as needed to avoid unexpected issues after the project is approved
- Working with Plant Accounting to ensure that the PAF has a proper break-out of capital and O&M amounts prior to submitting for approval through the DOA and for Software as a Service (SaaS)/Cloud projects, that a separate analysis has been completed
- Ensuring the Eversource Enterprise Risk Management group review of risks and risk mitigation plans and completion of Financial Planning & Analysis financial evaluation when required
- Managing the project authorization
- Overseeing the project
- Submitting Supplement Request Forms when required.

- An area **Director or Vice President** or above is responsible for sponsoring the project

- Plant Accounting is responsible for reviewing PAF and approving the classification of costs between capital and expense. This conclusion should be made and documented prior to obtaining final approvals.

- The Eversource Enterprise Risk Management group is responsible for assisting project initiators or managers in identifying risks and risk mitigation plans for all projects requiring Subsidiary Board approval.

- The Financial Planning & Analysis organization is responsible for assisting project managers in completing the financial evaluation for all projects requiring Subsidiary Board approval.

- Questions regarding the appropriate group(s) to engage should be directed to the Director, Budgeting and Financial Analysis or the Director, Investment Planning.

Completing a PAF for Corporate Shared Services Projects

Information Technology (IT) Projects

For IT projects, the PAF should address the additional evaluation criteria for IT projects. Given the unique considerations related to IT projects, all PAFs for IT projects, and any associated requests for additional resources, must also be approved by the Senior Vice President and Chief Information Officer, or a

designee, in addition to approvals through the appropriate levels of authority in accordance with the DOA.

For projects involving Software as a Service (SaaS)/Cloud or other agreements involving the right to use software, prior to project authorization a separate analysis is required to be completed by IT and Plant Accounting and included in the PAF (Appendix 3, page 7).

Facilities and Environmental Projects

Given the unique considerations that apply to Facilities and Environmental based projects, all of these types of projects regardless of size and any associated request for additional resources, must also be approved by the Vice President, Supply Chain, Environmental Affairs and Property Management, or a designee.

Project Evaluation Criteria for Corporate Shared Services Projects

The information below should be provided in order for an approver of a Corporate Shared Services project to evaluate a project subject to this policy. Spending for Corporate Shared Services projects may not commence until all required authorizations are obtained. The extent of the information provided should increase along with the size, complexity, and risk of the project.

- General Information
  - Project title, company and identification number
  - Project initiator, project manager and project sponsor
  - Indicate if the project is part of the approved Operating Plan for the year (capital and O&M budgets)
  - Indicate if a Transfer of Budgets Request or Emergency Related Request
  - Total request, estimated in-service date(s) and other information included on the PAF
- Project Authorization
- Executive Summary
- Project Cost Summary
- Financial Evaluation
  - Unique payment provisions
  - Project cost in total and by year, including
    - Direct capital costs (labor, outside services, materials and all other costs associated with getting the project ready for its intended use)
    - Indirect capital costs (including loaders and allocators)
    - An estimate of capitalized interest or AFUDC, as applicable
    - O&M costs

        - Contingency amounts, including assumptions and calculations, and justification
- Overall Justification
    - Project Needs
    - Project Scope
    - Project Objectives
    - Project Background/Justification
    - Business Process/Technical Improvements
        - Project benefits, including business performance metrics; describe assumptions used to estimate benefits and customer impacts
    - Future Financial Impacts including areas to be impacted, IRR, NPV, and payback period if applicable
    - Asset Retirement Obligation and/or associated Environmental Cleanup Costs
    - Alternatives Considered
    - Project Schedule
    - Regulatory Approvals required, if any
    - Risks and risk mitigation plans; risks to be considered include
        - Construction
        - Customer/reputational/regulatory
        - Schedule
        - Financial
        - Environmental
        - IT (if applicable)
    - References (additional supporting documentation)
    - Diagrams, Attachments, Images
- Additional evaluation criteria for IT projects
    - Applications impacted, including interfaces and interdependencies, and implications (diagram may be helpful)
    - Assessment of fit in overall IT strategy
    - Controls over migration, change management plan including impacts to business processes, business continuity and SOX assessments

Completing a PAF for Operations Projects

The PAF for Operations consists of two sections: financial requirements for the project are detailed in the first section and a comprehensive technical justification of the project is contained in the second section.

The scope and complexity of an approved project will determine whether the PAF request is for full or initial partial funding. Initial partial funding will be requested for projects that require additional engineering to prepare a project cost estimate. In the case of less complex projects, they may move directly to the financial authorization stage with the completion of the PAF for full funding.

Note: If a PAF is not approved, then the project manager is required to determine the accounting disposition of the work order containing accumulated charges.

The two sections of the Operations PAF are described below:

Project Evaluation Criteria for Operations Projects

The information below should be provided in order for an approver to evaluate a project subject to this policy. The extent of the information provided should increase along with the size, complexity, and risk of the project.

Operations Project Authorization Form – Financial Requirements Section

- General information
  - Project name, company and identification number
  - Project initiator, project manager and project sponsor
  - Indicate if the project is for funding of an annual, full funding of a specific project or preliminary funding (Phase 1) of a specific project
  - Indicate if the project is Pool Transfer Facility (PTF), Non-PTF or NA
  - Indicate if the project is part of the approved Operating Plan for the year (capital and O&M budgets)
  - Indicate if this is for additional resources; if so, the reason for additional funding
  - Project timing and estimated in-service date
- Project Authorization
- Executive summary
- Project Cost Summary
- Financial evaluation
  - Project cost in total and by year, including
    - Direct capital costs (labor, outside services, materials and all other costs associated with getting the project ready for its intended use)
    - Indirect capital costs (including loaders and allocators)
    - Less customer contribution
    - An estimate of capitalized interest or AFUDC, as applicable
    - O&M costs
    - Unique payment provisions
  - Future costs and area affected

- Asset Retirement Obligation and/or associated Environmental Cleanup Costs

Operations Project Authorization Form – Technical Justification Section

- Project Need Statement
- Project Objectives
- Project Scope
- Background / Justification
- Business Process and / or Technical Improvements
- Cost Estimate and Assumptions
- Alternatives considered with associated cost estimates
- Project Schedule
  - Milestone / Phase Name
  - Estimated Completion Dates
- Regulatory Approvals Required
- Project Risks and Risk Mitigation Plans
- Reference Material
- Additional Information
  - One-line diagrams
  - Attachments
  - Images

Policy Sponsorship

The Executive Vice President and Chief Financial Officer is the sponsor of this policy. The Vice President, Financial Planning and Analysis is responsible for the administration of project authorizations related to this policy. The Vice President, Controller and Chief Accounting Officer is responsible for the administration of accounting, internal controls and Power Plant system and processes related to this policy.

Revision History

0 Original issue – May 3, 2013

1 Updates for authorization process, PAF changes and DOA references – June 25, 2014

2 Updates to clarify the policy as it relates to project approvals of budget transfers or utilization of spending reductions to offset increased spending between organizations, requiring a PAF that documents CFO or if he deems appropriate, CEO approval of a significant transfer between organizations. Indicates that the threshold for approval of additional project resources is based on direct cost increases and that PAFs will be maintained in Power Plant. Adds subsidiary board approval template and requires consultation with a designated representative of the CFO organization for financial evaluation of projects requiring approval by subsidiary board or CEO – January 23, 2015

3 Updates for organizational and approval changes and Eversource name change. Components of capital spending added to the PAF – June 18, 2015

4 Combine APS1 & APS2 and provide specific PAF Forms for Corporate Shared Services, and Operations, and supplemental requests – January 20, 2017

5 Removes estimating criteria for a PAF and incorporates project technical justification into the PAF (eliminating references to a separate TAF) – October 20, 2017

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Project Authorization Form (PAF) Thresholds

For projects with a cost estimate that exceeds the thresholds shown below, a PAF is required. Organizations may elect to use lower thresholds. The project cost is defined as the gross cost of the project before offsets such as CIAC or other reimbursements.

Distribution and Generation – (Direct Cost)	
CT Electric	$100,000
MA Electric	$100,000
NH Electric	$100,000
Gas – (Direct Cost)	
NSTAR Gas	$100,000
Yankee Gas	$100,000
Transmission – (Total Cost)	$500,000
Corporate Shared Services – (Total Cost)	$500,000

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Appendix 2
Operations Project Authorization Form

Operations Project Authorization Form

Date Prepared:	Project Title:
Company/ies:	Project ID Number:
Organization:	Class(es) of Plant:
Project Initiator:	Project Category:
Project Manager:	Project Type: *Specific / Annual / Prelim Project / Parent*
Project Sponsor:	Project Purpose: part of regulatory tracked program?
Estimated in service date:	If Transmission Project: PTF / Non-PTF / NA
Eng. /Constr. Resources Budgeted?	Capital Investment Part of Original Operating Plan?
Authorization Type: Initial Funding / Full Funding	O&M Expenses Part of the Original Operating Plan?
Total Request:	

Financial Requirements:

Project Authorization

Project authorization must be in accordance with the approval levels included in the Delegation of Authority Policy (DOA).

If Subsidiary Board approval is required, document the review by Enterprise Risk Management (ERM) and Financial Planning and Analysis (FP&A)

ERM: _____

FP&A: _____

Executive Summary

Project Costs Summary

See APS3 and APS8 requirements and consult with Plant Accounting for capital/O&M determination. Use published loaders for benefits, materials, and invoices, maintained by the Director, Budget and Internal Reporting.
Note: Dollar values are in thousands

	Prior Authorized	20___	20___	20_+	Totals
Capital Additions - Direct	$ -	$ -	$ -	$ -	$ -
Less Customer Contribution	-	-	-	-	-
Removals net of Salvage_____%	-	-	-	-	-
Total - Direct Spending	$ -	$ -	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-	-	-
Subtotal Request	$ -	$ -	$ -	$ -	$ -
AFUDC	-	-	-	-	-
Total Capital Request	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Total Request	$ -	$ -	$ -	$ -	$ -

Financial Evaluation

Provide the following financial information (attach additional detail if summarized items are significant or additional information is needed). Note: Dollar values are in thousands

Direct Capital Costs	Year 1	Year 2	Year 3+	Total
Straight Time Labor				
Overtime Labor				
Outside Services				
Materials				
Other, including contingency amounts (describe)				
Total				

Indirect Capital Costs	Year 1	Year 2	Year 3+	Total
Indirects/Overheads (including benefits)				
Capitalized interest or AFUDC, if any				
Total				

Total Capital Costs				
Less Total Customer Contribution				
Total Capital Project Costs				
Total O&M Project Costs				

Note: Explain unique payment provisions, if applicable

If this is a new business project, is a customer contribution required? If yes, please note the contribution amount.

In addition, for all electric and gas growth / new business projects, please attach the CIAC calculation

Provide other financial documentation as warranted by management and / or regulatory precedent. When performing financial analysis, use appropriate discount rate by company (can be provided by Budgeting and Internal Reporting or Financial Planning and Analysis).

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Appendix 2
Operations Project Authorization Form

Future Financial Impacts:

Provide below the estimated future costs that will result from the project:
Note: Dollar values are in thousands:

Future Costs	Year 20___	Year 20___	Year20___	Year 20_+	Total Future Project Costs
Capital	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Describe the estimated future Capital, O&M and/or Other costs noted above:

What functional area(s) will these future costs be funded in?_____
A representative from the respective functional area is required to be included as a project approver.

If this is other than a Reliability Project, please complete the section below:

Provide below the estimated financial benefits that will result from the project:
Note: Dollar values are in thousands:

Future Benefits	Year 20___	Year 20___	Year20___	Year 20_+	Total Future Project Benefits
Capital	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**

Describe the estimated future Capital, O&M and/or Other benefits noted above:

What functional area(s) will these benefits be reflected in?_____
A representative from the respective functional area is required to be included as a project approver.

Asset Retirement Obligation (ARO) and/ or Environmental Cleanup Costs (Environmental Liabilities):

An ARO is a current legal obligation to remove or retire property, plant or equipment at some point in the future. Please refer to APS8 or contact Plant Accounting for further detail.

Is there an ARO associated with this project? If yes, please provide details:

Are there other environmental cleanup costs associated with this project? If yes, please provide details.

Operations Technical Authorization Form

Technical Justification:

Project Need Statement *(Description of Issue)*

Project Objectives

Project Scope

Background / Justification

Business Process and / or Technical Improvements:
Quantitative and qualitative project benefits, including assumptions used to estimate benefits and customer impacts; describe the changes in performance to the business process or technology performance metrics that can be expected as a result of this project

Cost Estimate and Assumptions

Alternatives Considered with Cost Estimates

Project Schedule

Describe the project schedule and milestones. Include estimated start and end dates.

Milestone/Phase Name	Estimated Completion Date

Regulatory Approvals

Risks and Risk Mitigation Plans

Describe the applicable risks and associated risk mitigation plans: e.g., construction, customer, reputational, schedule, financial, regulatory, environmental and IT risks. Indicate discussions with relevant subject matter experts.

References

One-Line Diagrams, Attachments, and Images

Corporate Shared Services Project Authorization Form

Date Prepared:	Project Title:
Company/Companies:	Project ID Number:
Organization:	Plant Class/(F.P.Type):
Project Initiator:	Project Type: *Specific / Annual / Prelim Project / Parent*
Project Manager:	Capital Investment Part of Original Operating Plan? Y / N
Project Sponsor:	Transfer of Budgets Request: Y / N
Estimated in service date(s):	Emergency Related Request: Y / N
Total Capital Request: Total Funding Request:	Software Projects Only – Estimated Life of Asset: _____5 years_____10 Years_____15 Years

Project Authorization

Project Authorization Forms must be completed for Corporate Shared Services projects totaling $500K or greater in accordance with the Project Authorization Policy and approval levels in the Delegation of Authority Policy (DOA).

If Subsidiary Board approval is required (Corporate Shared Services capital projects > $15M), document the review by Enterprise Risk Management (ERM) and Financial Planning and Analysis (FP&A) (attach email approval).

ERM: _____

FP&A: _____

If this is a Transfer of Budgets Request Vice President of Financial Planning and Analysis approval is required. If the Vice President of Financial Planning and Analysis deems appropriate, additional approvals may also be required (see page 7 of the Project Authorization Policy – Project Approval is not Transferable for further detail):

Date of Approval
VP of FP&A:_____

Other:_____

Documentation/Explanation:_____

Executive Summary

(If related to an Emergency Request – please provide specific details of emergency situation and operational impacts to business and/or customer.)

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Appendix 3
Corporate Shared Service Project Authorization Form

Project Costs Summary

See APS3 and APS8 requirements and consult with Plant Accounting for capital/O&M determination. Use published loaders for benefits, materials, and invoices, maintained by the Director, Budget and Financial Analysis.

Note: Dollar values are in whole dollars:

	Year 20___	Year 20___	Year 20_+	Totals
Capital Additions - Direct	$ -	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-	-
Removals net of salvage_____%	-	-	-	-
Subtotal Request	-	-	-	-
O&M	-	-	-	-
Total Request	**$ -**	**$ -**	**$ -**	**$ -**

Financial Evaluation

Provide the following financial information (provide additional detail if summarized items are significant, additional information is needed or there are unique payment provisions).

Note: Dollar values are in whole dollars:

Direct Capital Costs	**Year 20___**	**Year 20___**	**Year 20___+**	**Total**
Straight Time Labor	$ -	$ -	$ -	$ -
Overtime	-	-	-	-
Outside Services/Consultants	-	-	-	-
Software	-	-	-	-
Hardware	-	-	-	-
Materials	-	-	-	-
Other, including contingency amounts (Describe) Contingency_____%	-	-	-	-
Total Direct Capital Costs	**$ -**	**$ -**	**$ -**	**$ -**
Indirect Capital Costs	**Year 20___**	**Year 20___**	**Year 20___+**	**Total**
Indirects/Overheads (including benefits)	$ -	$ -	$ -	$ -
Capitalized interest or AFUDC , if any	-	-	-	-
Total Indirect Capital Costs	**$ -**	**$ -**	**$ -**	**$ -**
Total Capital Costs	**$ -**	**$ -**	**$ -**	**$ -**
Total O&M Costs	**$ -**	**$ -**	**$ -**	**$ -**
Total Project Costs	**$ -**	**$ -**	**$ -**	**$ -**
Vendor software payments (indicate whether or not included in the above)*	$ -	$ -	$ -	$ -

*Accounting for vendor software payments for SaaS/Cloud or other agreements involving the right to use software is to be determined by a separate analysis, which is included in Appendix 3, page 7.

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Corporate Shared Service Project Authorization Form

By Company Summary:

Note: Dollar values are in whole dollars:

	Entity ____	Entity ____	Entity ____	Entity ____	Totals
Capital Additions - Direct	$ -	$ -	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-	-	-
Removals net of salvage____%	-	-	-	-	-
Subtotal Request	-	-	-	-	-
O&M	-	-	-	-	-
Total Request	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Overall Justification:

Project Need Statement *(Description of Issue)*

Project Scope

Project Objectives

Background / Justification

Business Process and / or Technical Improvements: *Quantitative and qualitative project benefits, including assumptions used to estimate benefits and customer impacts; describe the changes in performance to the business process or technology performance metrics that can be expected as a result of this project*

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Appendix 3
Corporate Shared Service Project Authorization Form

Future Financial Impacts:

Provide below the estimated future costs that will result from the project:
Note: Dollar values are in whole dollars:

Future Costs	Year 20___	Year 20___	Year 20___	Year 20_+	Total Future Project Costs
Capital	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Describe the estimated future Capital, O&M (including cloud costs) and/or Other costs noted above:

What functional area(s) will these future costs be funded in?_____
A representative from the respective functional area is required to be included as a project approver.

Provide below the estimated financial benefits that will result from the project:
Note: Dollar values are in whole dollars:

Future Benefits	Year 20___	Year 20___	Year 20___	Year 20_+	Total Future Project Benefits
Capital	$ -	$ -	$ -	$ -	$ -
O&M	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Describe the estimated future Capital, O&M and/or Other benefits noted above:

What functional area(s) will these benefits be reflected in?_____
A representative from the respective functional area is required to be included as a project approver.

What is the project's IRR? _____

What is the project's NPV? _____

What is the project's payback period? _____

Use appropriate discount rate by company and associated corporate models (to be provided by Financial Planning and Analysis).

If the above items are not applicable, explain why (e.g., if negative but there are other reasons to proceed).

Asset Retirement Obligation (ARO) and/or Environmental Cleanup Costs (Environmental Liabilities):

An ARO is a current legal obligation to remove or retire property, plant or equipment at some point in the future. Please refer to APS8 or contact Plant Accounting for further detail.

Is there an ARO associated with this project? If yes, please provide details:

Are there other environmental cleanup costs associated with this project? If yes, please provide details.

Alternatives Considered with Cost Estimates

Project Schedule

Describe the project schedule and milestones. Include estimated start and end dates.

Milestone/Phase Name	Estimated Start - Completion Date

Regulatory Approvals

Risks and Risk Mitigation Plans

Describe the applicable risks and associated risk mitigation plans: e.g., construction, customer, reputational, schedule, financial, regulatory, environmental, safety and IT risks. Indicate discussions with relevant subject matter experts.

References (*additional supporting documentation*)

Diagrams, Attachments, and Images

Authorization Criteria Specific to IT Projects

Describe the applications that are impacted and include information regarding the interfaces and interdependencies related to this IT project (diagrams may be considered to assist in review and approval).

Assess the fit of this IT project with the overall IT strategy.

Describe control matters, such as the processes for data migration, change management plan including impacts to business processes, data maintenance controls, whether or not this IT project will be or impacts a Sarbanes-Oxley critical application, and the business continuity plan.

Attached SaaS/Cloud form where applicable.

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Appendix 3
Corporate Shared Service Project Authorization Form

Analysis of Vendor Software Payments for Cloud-Based Software Applications Hosting Fees ONLY

This document ONLY needs to be utilized if Eversource Energy is entering into a Cloud-Based Application and the Application has Hosting Fees which are also referred to as; Hosted Solution, Cloud Fees, Cloud Solution, Enterprise Agreement (EA), Enterprise License Agreement (ELA), Licensing Fee, RTU's (Rights to Use), Maintenance Agreement, Support & Service Agreement.

Project Name:

Complete the following analysis of vendor software payments for cloud-based software applications for the *hosting fees only* (as defined above):

- Accounting should be determined by Plant Accounting Services during PAF development.
- Attach documentation or information from IT supporting the nature of software payments.
- Also see APS 3 for capitalization policy for software costs.

NOTE: A pro rata portion **of the hosting fees** incurred during the development phase (described below) may be capitalized up to the point when the product goes **in-service**.

Development phase: In accordance with APS 3, SaaS/Cloud projects that do not meet the two capitalization criteria as outlined in APS 3 may have internal and external direct costs during the development phase (**prior to in service date**) that may be capitalized. External direct costs may include the pro-rata portion of an up-front software usage fee applicable to use of the software to develop the project before it is in service. Indicate below pro rata portion of development phase hosting fees requested to be capitalized:

Development phase: # months (provide support) (A) _____

÷ Total hosting contract period: # months (B) _____

= Pro rata portion that may be capitalized (A) ÷ (B)_____%

Total hosting fees over contract period $_____

Development phase amount requested to be capitalized (% x Total fees above) $_____
For costs after development phase, complete PAF break-out of capital/expense.

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Appendix 4
Supplement Request Form

Supplement Request Form

Date Prepared:	Project Title:
Company/Companies:	Project ID Number:
Organization:	Plant Class/(F.P.Type):
Project Initiator:	Project Type: *Specific / Annual / Prelim Project / Parent*
Project Manager:	Capital Investment Part of Original Operating Plan? Y / N
Project Sponsor:	O&M Expenses Part of the Original Operating Plan? Y / N
Current Authorized Amount:	Estimated in service date(s):
Supplement Request:	Other:
Total Request:	

Supplement Justification

Supplement Request Forms must be completed for projects in accordance with the Project Authorization Policy and approval levels in the Delegation of Authority Policy (DOA) as follows:

For Corporate Shared Services Projects:
For projects $500K to $10M - An increase in total authorized cost > 15% or;
For projects > $10M - An increase in total authorized cost > $1.5M

For Distribution Operations Projects:
For projects <= $250K - An increase in direct costs >= $25K or;
For projects >$250K - An increase in direct costs >10%

For Transmission Operations Projects:
For projects <= $500K – An increase in total authorized cost >= $75K
For projects $500K to $16.5M- An increase in total authorized cost > 15% or;
For projects > $16.5M - An increase in total authorized cost > $2.5M

Justification for Additional Resources

In this section, please provide a detailed and comprehensive justification for the additional resources. Please include, scope changes, dollar changes, the reasons for the changes, etc.

In addition, please attach a copy of the prior authorized PAF as reference

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Appendix 4
Supplement Request Form

Supplement Cost Summary

Note: Dollar values are in thousands:

	Prior Authorized	Supplement Request	Total
Capital Additions - Direct	$ -	$ -	$ -
Less Customer Contribution	-	-	-
Removals net of Salvage_____%	-	-	-
Total Direct Spending	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-
AFUDC	-	-	-
Total Capital Request	$ -	$ -	$ -
O&M	-	-	-
Total Request	**$ -**	**$ -**	**$ -**

Note: Dollar values are in thousands:

Total Supplement Request by year view:

	Year 20___	Year 20___	Year 20_+	Total
Capital Additions - Direct	$ -	$ -	$ -	$ -
Less Customer Contribution	-	-	-	-
Removals net of Salvage_____%	-	-	-	-
Total Direct Spending	$ -	$ -	$ -	$ -
Capital Additions - Indirect	-	-	-	-
AFUDC	-	-	-	-
Total Capital Request	$ -	$ -	$ -	$ -
O&M	-	-	-	-
Total Request	**$ -**	**$ -**	**$ -**	**$ -**

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Appendix 5
Subsidiary Board Approval Package Template

Subsidiary Board Approval Package Template

Template for Capital Project Review and Approval by a Subsidiary Board

[Sponsoring Operating Unit or Corporate and Shared Services Group] [Project Title]
Capital Project Review and Approval

[Subsidiary] Board of Directors [Sponsoring Officer] [Date of Submission]

Sub Board Approval Template.pptx

Note: to save, complete and print the template, please right click on the above icon and select Presentation Object and Open