

APS 1 Project Authorization Policy

Issue Date
01/01/2022

EVERSOURCE

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 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. Technology projects should be classified by their sponsoring business area and may be Operations or Corporate Shared Services and must follow authorization policies and apply Delegation of Authority levels for IT and the sponsoring business.

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 specific 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.

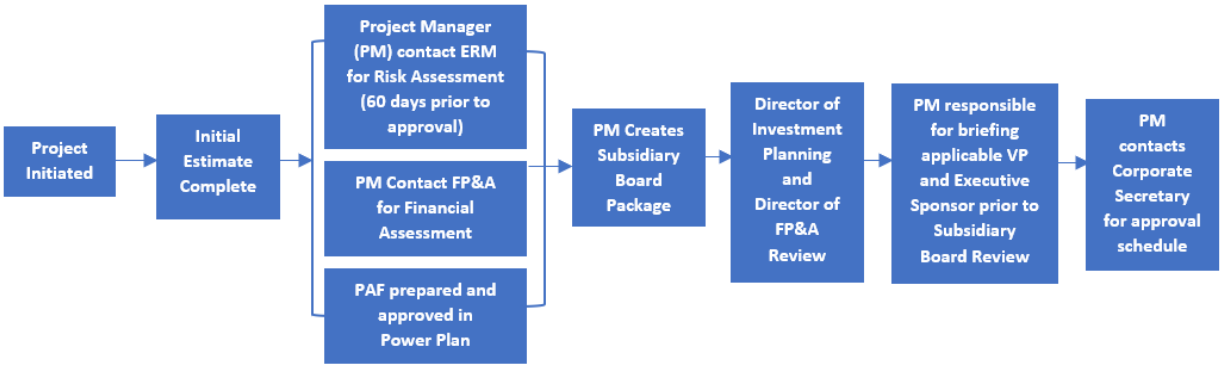
The project initiator or project manager is responsible for working with Plant Accounting to ensure that the PAF has a proper break-out of capital and O&M amounts prior to submitting it for approval through the DOA and for Software as a Service (SaaS)/Cloud projects, that a separate analysis has been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

The Power Plan 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 Plan 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. All Subsidiary Board documentation must be reviewed by the director of Investment Planning and the director of Financial Planning & Analysis prior to routing for approval. The Corporate Secretary will then 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 Plan 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 and Program – an annual and 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 in Appendix1 then the work order shall be considered a separate project and require its own PAF.

- Program – a capital program is a grouping of many similar non-routine capital projects that address a common need that exists throughout Eversource's territory. A program may be limited to a single operating company or expand across multiple operating companies. Program development starts by developing a generic solution for the identified need and then individual projects are spawned for execution with their own funding approval and, if meeting the threshold, PAF document.

- Initial Funding and Partial Project Funding – in some cases, the full scope of an operations project may not be known but funding authorization is required. Authorization in these cases is designed to support initiation and planning stage activities.

    - Initial Funding – provides funding for early project development such as schedule initiation, high level scope development and preliminary engineering activities.

- Partial Funding – provides funding for project engineering, siting & permitting strategies, environmental surveys, risk analyses, procurement planning, construction and outage planning or similar work.

- 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 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 Distribution and Transmission Operations and Corporate Shared Services Projects:

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 and the reason for the cost overrun (tie to specific risk event). Projects that have exceeded the individual PAF thresholds are monitored by Project Managers and other responsible groups to ensure accuracy of charges. Projects or Work Orders exceeding the authorized amounts/thresholds, including Work Orders linked to Annuals/Blankets Projects that have exceeded the individual PAF thresholds, will require a PAF. 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. All Subsidiary Board presentation materials must be reviewed by the director of Investment Planning and the director of Financial Planning and Analysis prior to routing for approval. 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, Gas 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 (performed by initiator or designee)

- 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 for all funding requests requiring Subsidiary Board approval 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 by facilitating a project risk assessment workshop prior to submitting the request for 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).

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, Real Estate and Materials, or a designee.

Project Evaluation Criteria for Corporate Shared Services Projects

The information below should be provided 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, project number and date prepared
  - Company, organization, class(es) of plant and project category
  - Project initiator, project manager, project sponsor and project purpose
  - Indicate if the project is part of the approved Operating Plan for the

year (capital and O&M budgets)
    - Indicate the project type and purpose
    - Indicate the authorization type and if O&M expenses are part of the funding request
    - Total capital funding request
    - Indicate if the request is emergency related
- Indicate the estimated life of the asset
- Executive Summary (a brief overview of the project)
- Project Cost Summary
    - 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 (labor, outside services, materials, training and all other expenses related to the project)
    - Contingency amounts, including assumptions and calculations, and justification
    - Indicate if alternatives were considered
    - Future benefits and/or costs and area affected
- Technical Justification
    - Project Needs
    - Project Scope
    - Project Background/Justification
    - Project Schedule
    - Risks and risk mitigation plans; risks to be considered include
        - Construction
        - Customer/reputational/regulatory
        - Schedule and outage constraints
        - Financial
        - Environmental
        - IT (if applicable)
    - References (additional supporting documentation)
    - Appendices (list any items that will appear in the appendices and referenced in the PA and any additional items or documents)
- Additional evaluation criteria for IT projects, such as those noted below, may be included in the appendices
    - 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 three main sections: a brief overview of the project is provided in the Executive Summary section, the financial requirements for the project are detailed in the Project Costs Summary section and a comprehensive Technical Justification of the project is contained in the last main section.

The scope and complexity of an approved project will determine whether the PAF request is for initial, partial or full funding. . In the case of less complex projects, a project may move directly to the complete 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 Title, Project Number and Date Prepared
  - Company, Organization, Class(es) of Plant and Project Category
  - Project Initiator, Project Manager, Project Sponsor and Project Purpose
  - Indicate the Project Type; annual, specific project or program.
  - Indicate the Authorization Type; initial funding, partial funding or full funding.
  - 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)
  - Estimated In-Service Date
  - Indicate the total requested project budget in Total Capital Request
  - Indicate whether the request is related to a real-time emergency in Emergency Related Request
- Executive Summary
- Project Cost Summary
  - Project cost in total and by year, including
    - Direct capital costs (internal labor and construction equipment, outside services, materials, removals, risk and contingency 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
    - Less customer contribution
    - O&M costs (unique and identifiable)
    - 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, Objective and Justification
- Project Scope
- Background
- Alternatives Considered including associated costs
- Regulatory Approvals Required
- Project Schedule
    - Milestone / Phase Name
    - Estimated Completion Dates
- Project Risks and Risk Mitigation Plans
- Reference Material
- Additional Information, Appendices
    - 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 Plan 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

6 Updates for PAF threshold requirements and Supplemental Funding requirements. Streamlined PAF forms. Updated wording to clarify requirements and expectations of the policy – December 31, 2021

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Appendix 1
Project Authorization Form Thresholds

Project Authorization Form (PAF) Thresholds

For projects with a cost estimate that exceeds the $500,000 threshold 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.

Organization: All projects (Corporate Shared Services, Electric Distribution, Gas Distribution, Transmission and Wind* Projects).

Cost Basis: Total Project Cost

Threshold: $500,000



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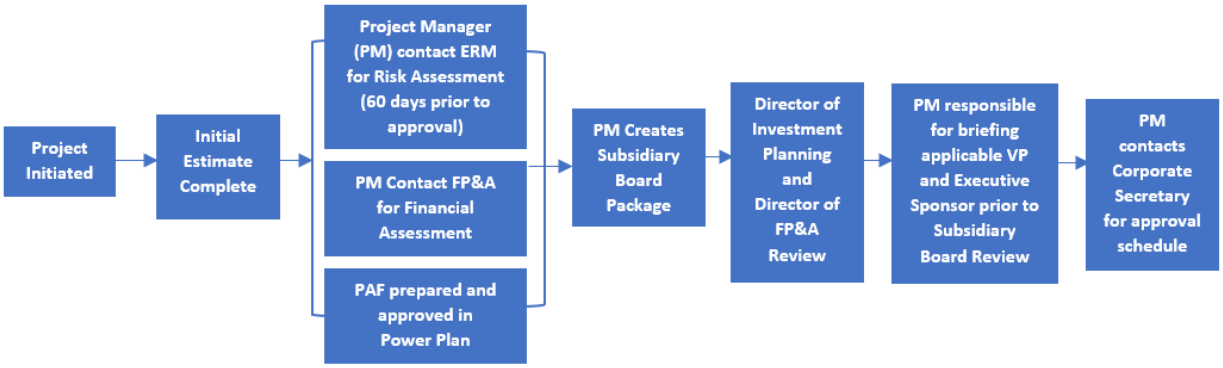

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- Specific Project – a specific project requires a PAF. This applies to projects, programs and initiatives associated with one or more companies. Approvals should be obtained based upon the total cost of the project and in accordance with the DOA.

- Annual and Program – an annual and 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 in Appendix1 then the work order shall be considered a separate project and require its own PAF.

- Program – a capital program is a grouping of many similar non-routine capital projects that address a common need that exists throughout Eversource's territory. A program may be limited to a single operating company or expand across multiple operating companies. Program development starts by developing a generic solution for the identified need and then individual projects are spawned for execution with their own funding approval and, if meeting the threshold, PAF document.

- Initial Funding and Partial Project Funding – in some cases, the full scope of an operations project may not be known but funding authorization is required. Authorization in these cases is designed to support initiation and planning stage activities.

    - Initial Funding – provides funding for early project development such as schedule initiation, high level scope development and preliminary engineering activities.

- Partial Funding – provides funding for project engineering, siting & permitting strategies, environmental surveys, risk analyses, procurement planning, construction and outage planning or similar work.

- 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 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 Distribution and Transmission Operations and Corporate Shared Services Projects:

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 and the reason for the cost overrun (tie to specific risk event). Projects that have exceeded the individual PAF thresholds are monitored by Project Managers and other responsible groups to ensure accuracy of charges. Projects or Work Orders exceeding the authorized amounts/thresholds, including Work Orders linked to Annuals/Blankets Projects that have exceeded the individual PAF thresholds, will require a PAF. 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. All Subsidiary Board presentation materials must be reviewed by the director of Investment Planning and the director of Financial Planning and Analysis prior to routing for approval. 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, Gas 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 (performed by initiator or designee)

- 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 for all funding requests requiring Subsidiary Board approval 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 by facilitating a project risk assessment workshop prior to submitting the request for 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).

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, Real Estate and Materials, or a designee.

Project Evaluation Criteria for Corporate Shared Services Projects

The information below should be provided 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, project number and date prepared
  - Company, organization, class(es) of plant and project category
  - Project initiator, project manager, project sponsor and project purpose
  - Indicate if the project is part of the approved Operating Plan for the

year (capital and O&M budgets)
  - Indicate the project type and purpose
  - Indicate the authorization type and if O&M expenses are part of the funding request
  - Total capital funding request
  - Indicate if the request is emergency related
- Indicate the estimated life of the asset
- Executive Summary (a brief overview of the project)
- Project Cost Summary
  - 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 (labor, outside services, materials, training and all other expenses related to the project)
  - Contingency amounts, including assumptions and calculations, and justification
  - Indicate if alternatives were considered
  - Future benefits and/or costs and area affected
- Technical Justification
  - Project Needs
  - Project Scope
  - Project Background/Justification
  - Project Schedule
  - Risks and risk mitigation plans; risks to be considered include
    - Construction
    - Customer/reputational/regulatory
    - Schedule and outage constraints
    - Financial
    - Environmental
    - IT (if applicable)
  - References (additional supporting documentation)
  - Appendices (list any items that will appear in the appendices and referenced in the PA and any additional items or documents)
- Additional evaluation criteria for IT projects, such as those noted below, may be included in the appendices
  - 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 three main sections: a brief overview of the project is provided in the Executive Summary section, the financial requirements for the project are detailed in the Project Costs Summary section and a comprehensive Technical Justification of the project is contained in the last main section.

The scope and complexity of an approved project will determine whether the PAF request is for initial, partial or full funding. . In the case of less complex projects, a project may move directly to the complete 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 Title, Project Number and Date Prepared
  - Company, Organization, Class(es) of Plant and Project Category
  - Project Initiator, Project Manager, Project Sponsor and Project Purpose
  - Indicate the Project Type; annual, specific project or program.
  - Indicate the Authorization Type; initial funding, partial funding or full funding.
  - 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)
  - Estimated In-Service Date
  - Indicate the total requested project budget in Total Capital Request
  - Indicate whether the request is related to a real-time emergency in Emergency Related Request
- Executive Summary
- Project Cost Summary
  - Project cost in total and by year, including
    - Direct capital costs (internal labor and construction equipment, outside services, materials, removals, risk and contingency 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
    - Less customer contribution
    - O&M costs (unique and identifiable)
    - 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, Objective and Justification
- Project Scope
- Background
- Alternatives Considered including associated costs
- Regulatory Approvals Required
- Project Schedule
    - Milestone / Phase Name
    - Estimated Completion Dates
- Project Risks and Risk Mitigation Plans
- Reference Material
- Additional Information, Appendices
    - 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 Plan 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

6 Updates for PAF threshold requirements and Supplemental Funding requirements. Streamlined PAF forms. Updated wording to clarify requirements and expectations of the policy – December 31, 2021

7 Adds references in Appendix 2 and Appendix 3 to cost tables in Excel document – May 28, 2024

EVERSOURCE

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 $500,000 threshold 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.

Organization: All projects (Corporate Shared Services, Electric Distribution, Gas Distribution, Transmission and Wind* Projects).

Cost Basis: Total Project Cost

Threshold: $500,000