

APPROVAL PROCESS

- 01 The NSPI Controller will be responsible for the creation of financial policy for the Company.
- 02 All new accounting policy, and significant changes to existing policy, will be presented to the UARB for its approval, and to the external auditors for their review and comments.
- 03 The NSPI Controller and the Director of Internal Audit ~~will be responsible for the enforcement of financial policies.~~ Deleted: and Security
- 04 Suggestions for changes in policy should be forwarded to the NSPI Controller who will act as the approval mechanism for all policy changes.

ADMINISTRATION

- 05 To exercise control over the contents and use of this manual, the following procedures will be followed:
- a. This manual will be published on the NSPI intranet as read-only under Corporate Controller's Policies – "NSPI Accounting Policy & Procedures Manual."
 - b. All accounting policy updates and significant changes will be presented to the UARB for its approval.
 - c. All accounting policy updates and significant changes will be presented to our external auditors on an annual basis for their review and comment. Deleted: ¶
 - d. The NSPI intranet version of the accounting policy will be updated when UARB approval has been received for the new accounting policy updates and changes.

COMPLIANCE

- 06 Where there is no specific accounting policy, NSPI will follow the applicable sections of the CICA Handbook.
- Deleted: ¶



DESCRIPTION OF BUSINESS

- 01 Nova Scotia Power Incorporated ("NSPI") is an investor-owned electric utility headquartered in Halifax, Nova Scotia. NSPI or its predecessors has been engaged in the production and sale of electric energy in Nova Scotia since 1919.
- 02 ~~NSPI is the primary electricity supplier in Nova Scotia, providing over 95% of electricity generation, transmission and distribution in the province.~~
- 03 Through the interconnection with the New Brunswick Power Corporation, NSPI's system is connected to other regional power systems and the rest of the interconnected North American systems. This grid enhances the cost effectiveness, efficiency, reserve capacity and reliability of all participating power systems.

Deleted: NSPI's electrical generation, transmission and distribution system operates throughout Nova Scotia.

Formatted: Font: (Default) Arial, 10 pt

Deleted: These operations include approximately 97% of the generation, 99% of the transmission and 95% of the distribution of electric power in Nova Scotia.

Formatted: Font: 8 pt

ACT OF INCORPORATION

- 04 NSPI was incorporated under the name International Engineering Services Limited on July 13, 1984 pursuant to the Companies Act of Nova Scotia. On May 11, 1992, its name was changed to Nova Scotia Power Inc.
- 05 In August 1992, the business operated by Nova Scotia Power Corporation ("NSPC"), a crown corporation of the Province of Nova Scotia, was transferred to NSPI and common shares of NSPI were sold to the public.
- 06 A corporate reorganization of NSPI effective January 1, 1999 separated the regulated utility business operated by NSPI from other business interests. The regulated electric utility business of NSPI and the other businesses became subsidiaries of NS Power Holdings Inc. NS Power Holdings Inc. had a name change to Emera Inc. in 2000.

REGULATION

- 06 NSPI is regulated by the Nova Scotia Utility and Review Board ("UARB") pursuant to the Public Utilities Act.
- 07 The Act gives the UARB supervisory powers over NSPI's operations and expenditures. Electricity rates in each of the rate classes under which NSPI serves its customers are also subject to UARB approval.

Deleted: August 10, 2006

**REORGANIZATION AND PRIVATIZATION**

- 08 During 1992, the Province of Nova Scotia passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation (NSPC). In effecting the reorganization, pursuant to the Asset Transfer Agreement effective on August 10, 1992, NSPC transferred all of its existing assets (excluding sinking fund assets), liabilities (excluding long-term debt) and retained earnings to NSPI in exchange for:
- a. Matching notes receivable equivalent to outstanding long-term debt, net of matching notes payable equivalent to sinking fund assets; and
 - b. 20.1 million fully paid common shares of NSPI, which were subsequently sold on August 12, 1992 by the Province of Nova Scotia as a secondary offering.
- Concurrently, the \$13.3 million of contributed surplus of NSPC was transferred to the retained earnings of NSPI.
- 09 Following the reorganization and privatization, NSPI continued the business activities of NSPC. NSPC changed its name to Nova Scotia Power Finance Corporation ("NSPFC") and continues to hold the remaining long-term debt and sinking fund assets.
- 10 The reorganization and privatization was accounted for using continuity of interest accounting, whereby the assets and liabilities of NSPC were transferred to NSPI at their carrying values. The comparative figures in the 1992 financial statements include the results of NSPC from April 1 to August 10, 1992 and the results of NSPI thereafter. NSPI changed its year-end from March 31 to December 31, resulting in a nine month fiscal period ended December 31, 1992.

YEAR END

NSPI maintains a fiscal year from January 1st to December 31st.

Deleted: August 10, 2006

DEFINITION

- 01 Rate base is comprised of the net value of certain assets upon which NSPI can earn a specified rate of return. The rate base and rate of return are approved by the UARB in compliance with the Public Utilities Act.
- 02 The rate base and the allowed rate of return are periodically reviewed by the UARB.

POLICIES

- 03 The components of rate base should include:

a. ~~Cost (gross historical cost less capital contributions) less accumulated depreciation of used and useful plant in service;~~

Deleted: Net plant in service

Deleted: tangible

b. Construction Work-in-Progress;

c. Allowance for materials and supplies;

Deleted: b

Deleted: and

d. Allowance for cash working capital as approved by the UARB;

Deleted: c

e. Deferred charges and credits;

f. ~~Contract receivable resulting from the settlement between NSPI and its natural gas supplier.~~

Deleted: Long term

- 04 The excess of the purchase price paid for an acquired company over the net book value of its assets should be excluded from rate base.

- 05 Assets held for future use should be excluded from rate base unless UARB approval has been obtained.

Deleted: November 30, 2006

Deleted: August 10, 2006

POLICY

- 01 The Audit Committee of the Board of Directors should be comprised of a minimum of three Directors, none of whom are officers or employees of the Company.
- 02 As directed by the UARB in its Order NSUARB-NSPI-P-875 dated December 3, 2002, Schedule "C" Board Directives, NSPI must use a different audit firm than Emera Inc. and NSPI's audit committee shall have a different Chair than Emera Inc.'s audit committee.

PROCEDURES

- 03 The Committee is responsible for ensuring that appropriate internal control procedures are in place and requires management to implement and maintain the appropriate systems and assesses the adequacy and effectiveness of those systems. Deleted: 2
- 04 The Committee meets at least quarterly with the CEO and CFO, internal auditor, the external auditors and other senior members of management to examine issues pertaining to the presentation of financial information, accounting practices, upcoming accounting pronouncements, internal accounting systems and internal financial controls. Deleted: 03
- 05 The Committee examines investment policies and issues. It also reviews and recommends to the Board for approval documents such as the annual report, the management discussion and analysis contained in the annual report, the audited financial statements, and the unaudited interim financial statements and interim management discussion and analysis to shareholders. Deleted: 04
- Deleted: 1
Section Break (Next Page)

Deleted: August 10, 2006

DEFINITION

- 01 Financial statement users are interested in information that will aid them in their decision-making process. Materiality is the term used to describe the significance of financial statement information to decision makers. An item is considered material if it is probable that its omission or misstatement would influence or change a decision.¹

MATERIALITY LIMITS

- 02 NSPI sets materiality levels by major financial statement areas to facilitate the processing of large volumes of transactions. Procedures for implementing the materiality policy for these areas are discussed in the applicable sections of this manual.
- 03 The capitalization limits are detailed in 1560A.

POLICIES

- 04 Expenditures for amounts less than the stated materiality limits should be charged to operations as they are incurred.
- 05 When additional costs associated with capitalizing immaterial amounts exceed the benefits of providing this information to financial statement users, all costs should be expensed.
- 06 Materiality and capitalization limits should be reviewed annually by Corporate Accounting Services and Capital Accounting to determine their continued applicability. Revisions to the materiality limits should be made in accordance with the procedures in Section 1000.

¹CICA Handbook, 1000.17.

Deleted: August 10, 2006

SUMMARY OF CAPITALIZATION LIMITS

- 01 The following table summarizes the capitalization limits by major function. These limits refer to total cost of acquisition including installation. Please refer to the Capital Expenditure Justification Criteria, Appendix 5 – General Criteria, "Routine Expenditures", submitted to the UARB in 1995 and revised in 1997, for guidelines regarding routine capital expenditures.

Function	Capitalization Level	Section Reference
Thermal Generation	\$25,000	6000
Hydro	5,000	
Gas Turbines	5,000	
Transmission	5,000	
Distribution	1,000	
Buildings	2,000	
Tools	1,000	
Transportation Equipment	2,000	
Office Equipment	1,000	
Communication Equipment	1,000	
Hardware	10,000	6215
Telecommunications Equipment	10,000	
Software	5,000	
Software Development	25,000	6215
Deferral of Operating Costs Expenditures	UARB Approval	6900
Severance Programs	UARB Approval	6930
Assets Not Used and Useful	UARB Approval	6340

Deleted: August 10, 2006



GENERAL

- 01 Nova Scotia Power Inc. (NSPI) is the primary operating subsidiary of Emera Inc, a diversified energy company based in Halifax, Nova Scotia. Emera invests in electricity generation, transmission and distribution as well as gas generation and transmission and energy marketing. Emera seeks growth from its existing businesses and will leverage its core strength in the electricity business as it pursues both acquisitions and greenfield development opportunities in regulated electricity transmission and distribution and low risk generation.
- 02 For financial reporting purposes, NSPI is organized into cost centers and has specific cost centers that provide corporate support services to NSPI and its affiliates. While most of the operating costs related to each affiliate are accumulated in its separate books of account, direct costs associated with corporate support services and certain other general expenses are allocated in a manner that appropriately reflects the cost of the service or benefit provided to that affiliate. Corporate support services costs that cannot be directly attributed to a specific entity must be allocated in a fair manner to NSPI and its affiliates.
- 03 NSPI will ensure that corporate support services costs, general expenses, and other costs, including overhead, are fairly allocated to NSPI and its affiliates.
- 04 The Cost Allocation Policy is consistent with the principles and practices contained in the accounting policies and practices used by NSPI.

Formatted: Indent: Left: 0", Hanging: 0.5"

Formatted: Bullets and Numbering

Deleted: Emera's strategy is to pursue energy opportunities throughout Northeastern North America.

Formatted: Font: (Default) Arial, 10 pt

Formatted: Font: (Default) Arial, 10 pt

Formatted: Font: (Default) Arial, 10 pt

Formatted: Indent: Left: 0", Hanging: 0.5", Tabs: 0.5", List tab + Not at 0.75"

POLICY

- 05 Section 6.11 of the Code of Conduct states that the costs of corporate support services will be fairly allocated between NSPI and its affiliates. The allocation factor employed will depend on the nature of the corporate support service.

Deleted: 10

SELECTION AND APPLICATION OF ALLOCATION METHODOLOGY

- 06 The procedures followed by Corporate Accounting to allocate the corporate support services Operating, Maintenance and General (OM&G) to affiliates are:
- Identify cost centres that provide corporate support services to both the regulated utility and affiliates;
 - Through an interview process with the manager of each corporate support service cost centre:
 - Identify those costs that can be directly charged to a specific entity.
 - Identify those costs that are shared or "common" and are shared by affiliates.
 - Review industry practices, research and other jurisdictions' allocation procedures for possible alternative cost allocation methodologies. Select an allocation methodology considering practice used by other jurisdictions and the situation most relevant to NSPI and its affiliates;

Deleted: August 10, 2006 Accounting Policy and Procedures Manual . Page 1570-1

December 31, 2009

Corporate Controller's Division

- d. Using the allocation methodology selected, calculate the amount to be charged to NSPI and its affiliates including overhead load where applicable; and
- e. On a monthly basis, allocate common corporate support services costs to affiliates. Allocation calculations will be updated monthly, quarterly and annually depending on the cost centre. The overhead load factor will be updated annually.

COSTS INCLUDED IN THE ALLOCATION PROCESS

- 07 NSPI's corporate support services costs include all expenses, both direct and common, required to provide support services to NSPI and its affiliates.
- 08 An overhead load will be charged to NSPI's affiliates to cover indirect support costs not captured in the corporate support group cost centres.

CORPORATE SUPPORT SERVICES

- 09 Corporate support services include the following:
 - a. Internal Audit
 - b. Corporate Secretary and General Counsel
 - c. Finance and Accounting
 - d. Risk Management
 - e. Corporate Human Resources
 - f. Government Relations
 - g. Environmental Policy and Procedures
 - h. Procurement and Real Estate
 - i. Information Technology

DIRECT EXPENSE ALLOCATION

- 10 Corporate support services costs that can be directly attributed to a specific entity are directly charged to the entity.

COMMON COST ALLOCATORS

- 11 Where services are provided to a number of affiliates and direct charging is not readily determinable or practical, one or more of the following methods or "costs drivers" are used for allocating costs.
- 12 Time Analysis – The Time Analysis cost driver uses documented time keeping records of employee's labour hours in support of work provided to NSPI and its affiliates. Costs are charged to NSPI and its affiliates based on the percentage of time worked for each affiliate. In accordance with the UARB 2002 Rate Case Decision, all senior management employees having shared responsibilities for NSPI and its affiliates are required to keep time keeping records. Executive membership costs will be allocated based on the monthly time analysis percentage and adjusted to the yearly time analysis percentage at yearend.

Deleted: <#>Corporate Security

Deleted: <#>Executive

Deleted: <#> - Exe is no longer applicable¶

Formatted: Bullets and Numbering

Deleted: Corporate

Deleted: and Accounting

Deleted: Corporate Human Resources

Formatted: Bullets and Numbering

Deleted: <#>Government Relations and Public Affairs

Formatted: Bullets and Numbering

Deleted: <#> – no longer applicable¶

Formatted: Bullets and Numbering

Deleted: <#>Risk Management

Deleted: <#> – no longer applicable – NSPI is charged by Emera ¶

Deleted: August 10, 2006 Accounting Policy and Procedures Manual . Page 1570-1

- 13 Project Analysis – The Project Analysis cost driver uses an estimate of time spent on activities for each affiliate.
- 14 Enterprise Employees - The Enterprise Employee cost driver uses the relative number of employees each affiliate has in the Emera organization.
- 15 Total Capitalization – Total Capitalization uses the relative proportion of total debt and equity each affiliate has in Emera's consolidated capital structure.
- 16 Number of Invoices – Number of invoices uses the relative proportion of invoices processed for each affiliate.
- 17 Number of Journal Lines – Number of journal entry lines uses the relative proportion of accounting journal entries processed for each affiliate.
- 18 Number of Board of Directors' Meetings – Number of Board of Directors' meetings uses the relative proportion of meetings held throughout the year for NSPI and Emera.
- 19 Number of Vehicles – Number of vehicles uses the relative proportion of vehicles owned or leased for each affiliate.
- 20 Asset Value – Asset value uses the relative proportion of total assets owned for each affiliate.

21 Total Revenue - Total revenue uses the relative proportion of total revenue for each affiliate.

OVERHEAD ALLOCATION

- 22 An overhead load will be charged to NSPI's affiliates to cover indirect support costs not captured in the corporate support group cost centres.
- 23 Included in the overhead load are depreciation and carrying charges on office equipment, rent, I/T desktop support services and incentives.

RESPONSIBILITY

- 24 Corporate Accounting Services will be responsible for:
- identifying cost centres that provide services to both NSPI and its affiliates;
 - choosing allocation cost drivers;
 - identifying and calculating an appropriate overhead allocation factor to be charged to NSPI's affiliates;
 - processing the monthly allocation of common corporate support services costs and overhead load to NSPI's affiliates;
 - reviewing the cost drivers and the overhead allocation rate on a quarterly basis to assess the validity of the original assumptions and make adjustments as required;
 - re-evaluating the cost drivers and cost centres on an annual basis to assess their reasonableness.

Deleted: ¶

Formatted: Indent: Left: 0", Hanging: 0.5", Numbered + Level: 1 + Numbering Style: 01, 02, 03, ... + Start at: 10 + Alignment: Left + Aligned at: 0.44" + Tab after: 0.69" + Indent at: 0.69", Tabs: Not at 0.69"

Deleted: <#>Attached as Section 1570A is a list of the corporate support group cost centres and cost drivers.¶

Formatted: Bullets and Numbering

Formatted: Bullets and Numbering

Formatted: Bullets and Numbering

Deleted: August 10, 2006 Accounting Policy and Procedures Manual . Page 1570-1

December 31, 2009

Corporate Controller's Division

25 The Controller of NSPI will be responsible for the management of the Cost Allocation Policy.

Formatted: Bullets and Numbering

REFERENCE

CODE OF CONDUCT

26 SECTION 1.1 – The primary purpose of this Code of Conduct is to ensure that all transactions NSPI enters into with affiliates are designed and carried out in a manner reasonably expected to produce demonstrable benefit to NSPI customers, when compared with all other available options.

Formatted: Bullets and Numbering

Deleted: 2.1

Deleted: NSPI

Deleted: management will conduct the company's transactions with affiliates in such a way that its utility customers benefit from such transactions.

27 SECTION 6.11 - The costs of corporate support services will be fairly allocated between NSPI and its affiliates. The allocation factor employed will depend on the nature of the corporate support service.

DEFINITIONS

28 For the purpose of the Cost Allocation Policy and interpretation of this Policy, the following definitions will apply.

Deleted: 10

Formatted: Bullets and Numbering

Formatted: Bullets and Numbering

Formatted: Bullets and Numbering

29 Affiliate - The Nova Scotia Companies Act defines an Affiliate as:

- (1) A company shall be deemed to be an affiliate of another company if one of them is the subsidiary of the other or if both are subsidiaries of the same company or if each of them is controlled by the same person.
- (2) A company shall be deemed to be controlled by another person or by two or more companies if
 - (a) voting securities of the first-mentioned company carrying more than fifty per cent of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or by or for the benefit of the other companies; and
 - (b) the votes carried by such securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned company.
- (3) A company shall be deemed to be a subsidiary of another company if
 - (a) it is controlled by
 - that other, or
 - that other and one or more companies each of which is controlled by that other, or
 - two or more companies each of which is controlled by that other; or
 - (b) it is a subsidiary of a company that is that others subsidiary. R.S., c. 81, s. 2; 1990, c.15, s. 2.

30 Corporate Support Service - Those services or functions that are not unique to a single NSPI operating business unit or Emera line of business, and are shared to more effectively and efficiently meet business needs.

Formatted: Bullets and Numbering

31 Cost Allocation – the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or

Formatted: Bullets and Numbering

Deleted: August 10, 2006 Accounting Policy and Procedures Manual . Page 1570-1

December 31, 2009

Corporate Controller's Division

more overall factors (also known as general allocators).

- 32 ~~Cost Driver – a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.~~
- 33 Common Costs – costs associated with services or products that are of joint benefit between two or more companies.
- 34 Direct Costs – costs that can be directly identified with a particular service or product for a specific entity.
- 35 Regulated – refers to services or products that are subject to price regulation by regulatory authorities.
- 36 Non-Regulated – refers to services or products that are not subject to price regulation by regulatory authorities.
- 37 Total Capitalization – includes common and preferred shares, retained earnings and total short and long-term debt. In determining the allocation to affiliates, affiliate capital also includes foreign exchange translation adjustments and goodwill where applicable.

Deleted: .

Formatted: Indent: Left: 0",
Hanging: 0.5", Numbered + Level: 1
+ Numbering Style: 01, 02, 03, ... +
Start at: 10 + Alignment: Left +
Aligned at: 0.44" + Tab after: 0.69"
+ Indent at: 0.69", Tabs: Not at
0.69"

Deleted: August 10,
2006 Accounting Policy and
Procedures Manual . Page 1570-1

December 31, 2009

Corporate Controller's Division

GENERAL

- 01 The Company retains sufficient records to satisfy all legal, regulatory, financial, taxation and statistical requirements. These records are situated at head office and field locations as well as the third party record retention facilities.

Deleted: the

Deleted: R

Deleted: R

Deleted: Centre in St. Margaret's.

POLICIES

- 02 Source documents including, but not limited to, purchase orders, invoices, cancelled cheques, requests for cheques, Local Purchase Orders and receipts should be retained for a minimum of seven years to comply with income tax regulations. Acceptable storage media include printed reports, microfiche or electronic data files.
- 03 External auditors' information requirements generally would not exceed one year; however, since historical financial information is required for internal usage on a regular basis, two years' supporting documentation should be readily accessible to Company staff.
- 04 Internal documents not directly supporting financial transactions and results should be retained for a minimum of two years. Examples of these documents include requisitions and newsletters.

Deleted: August 10, 2006

STATEMENT OBJECTIVE

- 01 The objective of the Statement of Cash Flow is to provide information about the operating, financing and investing activities of the Company and the effects of those activities on cash resources. The Statement assists financial statements users in evaluating the liquidity and solvency of the Company and in assessing its ability to generate cash from internal sources, to repay debt obligations, to reinvest and to make distributions to shareholders. This information is not provided, or is only indirectly provided, in the Balance Sheet, Statement of Earnings and Statement of Retained Earnings. Thus, the Statement of Cash Flow complements, and presents information different from that provided in, the other financial statements.¹

POLICY

- 02 Cash flows presented in the Statement of Cash Flow should be classified by operating activities, financing activities and investing activities.²
- 03 The Statement of Cash Flow should disclose at least the following items:
- a. cash from operations, with the amount of cash from operations reconciled to the Statement of Earnings or the components of cash from operations separately disclosed;
 - b. cash flows resulting from discontinued operations;
 - c. cash flows resulting from extraordinary items;
 - d. outlays for acquisition and proceeds of disposal of assets, by major category;
 - e. the issue, assumption, redemption and repayment of debt;
 - f. the issue, redemption and acquisition of share capital;
 - g. the payment of dividends on common shares; and
 - h. cash and cash equivalents.

¹CICA Handbook, 1540.03

²CICA Handbook, 1540.12

FORMAT

- 04 Cash flows from operating activities are determined by adjusting net earnings for the effect of non-cash items recorded in earnings, (e.g. depreciation expense and amortization of deferred charges) deferred spending which relates to operations and changes in operating working capital items.³
- 05 Cash flows from financing activities arise upon changes in the size and composition of the capital structure of the Company (both debt and equity) and would include items (e.) and (f.) of paragraph 2100.03.⁴ Payments of dividends to common shareholders are disclosed separately on the Statement of Cash Flow.
- 06 Cash flows from investing activities will normally include the acquisition and disposition of operating (*i.e.* plant) and non-operating (*i.e.* investment) assets.⁵
- 07 The classification of cash flows resulting from discontinued operations and extraordinary items will depend on the underlying nature of the item.
- 08 Cash flows for income taxes, dividends and interest should be disclosed separately.⁶

³CICA Handbook, 1540.19

⁴CICA Handbook, 1540.18

⁵CICA Handbook 1540.18

⁶ CICA Handbook 1540.34 and 1540.38

POLICIES

- 01 Monetary assets and liabilities denominated in foreign currencies should be converted to Canadian dollars at rates of exchange prevailing on each balance sheet date.¹ Differences between the translation at transaction date and the translation at the balance sheet date are charged to operations.²
- 02 Non-monetary items should be recorded at historical exchange rates at the date of purchase or acquisition.
- 03 Revenue and expenses should be translated at rates of exchange in effect at the date of the transaction.³
- 04 When a foreign currency transaction is hedged, the rate established by the terms of the hedge should be used.

EXAMPLES**Purchases or Payments Denominated in US dollars (for non-hedged transactions)**

- a. When purchases are recorded as a liability, a daily spot rate is used to convert the purchase to Canadian dollars.

DR	Inventory or Expense (\$200 US X 1.30 exchange)	260
CR	Accounts Payable	260

- b. When the payment is made the exchange difference is charged to an operating expense and a US cheque is produced on our US dollar bank account.

DR	Accounts Payable	260
CR	Foreign exchange expense	60
CR	Cash (US\$)	200

¹ CICA Handbook 1650.16

² CICA Handbook 1650.20

³ CICA Handbook 1650.14

- c. When Canadian dollars are deposited to the US dollar bank account the cost of these dollars also goes to the operating expense resulting in the net exchange difference being recognized in operations.

DR	Cash (US\$)	200
DR	Foreign exchange expense	70
CR	Cash (CDN\$) (\$200 US @ \$1.35)	270

- d. The net foreign exchange expense (\$10 in the above example) represents the foreign exchange exposure during the month.

05 Long-term Monetary Assets and Liabilities

- a. Long-term debt denominated in foreign currencies are translated at each quarter-end using the noon rate on the balance sheet date. Differences between the translation at transaction date and the translation at the balance sheet date are charged to operations.⁴

06 Interest Expense

Interest on long-term debt is recorded at current transaction date rates and recognized in operations.

⁴ CICA Handbook 1650.20

GENERAL

- 01 The Company maintains contributory defined-benefit and defined-contribution pension plans that cover substantially all employees, and plans providing non-pension benefits for its retirees.
- 02 The defined-benefit pension plans are based on the years of service and average salary at the time the employee terminates employment and provide annual post-retirement indexing equal to the change in the Consumer Price Index up to a maximum increase of 6% per year.
- 03 Other retirement benefit plans include: unfunded pension arrangements, unfunded long service award and contributory health care plan.
- 04 The measurement date for the assets and obligations of each benefit plan is December 31.

POLICIES

- 05 Pension obligations and obligations associated with non-pension post-retirement benefits such as health benefits to retirees and retirement awards, are actuarially determined using the projected benefit method prorated on service and management's best assumptions. The accrued benefit obligation is valued based on market interest rates at the valuation date.
- 06 Adjustments to the accrued benefit obligation arising from plan amendments are amortized on a straight-line basis over the expected average remaining service period (ARSP) of active employees.
- 07 Pension fund asset values are calculated using market values at year-end. The expected return on pension assets is determined based on market-related values. The market-related values are determined in a rational and systematic manner so as to recognize asset gains and losses over a five-year period.
- 08 For any given year, when NSPI's net actuarial gain (loss), less the actuarial gain (loss) not yet included in the market-related value of plan assets, exceeds 10% of the greater of the accrued benefit obligation and the market-related value of the plan assets, an amount equal to the excess divided by the ARSP is amortized on a straight-line basis.
- 09 On January 1, 2000, NSPI adopted the new accounting standard on employee future benefits using the prospective application method. The transitional obligation (asset) resulting from the initial application is amortized linearly over 13 years, which was the expected ARSP of active employees at the transition date.
- 10 The difference between pension expense and pension funding is recorded as a deferred asset for contributions and an accrued benefit liability for non-contributory unfunded pension arrangements on the balance sheet. The Non-pension difference is recorded as an accrued benefit liability on the balance sheet.

Deleted:

Deleted: August 10, 2006

PROCEDURES

- 11 Actuarial valuations are performed annually for all three plans.
- 12 Pension expense, as determined in the annual actuarial valuation, is charged to both operating departments and corporate adjustments.
- ~~13 Pension funding for pre-funded plans are paid as determined in an annual actuarial valuation.~~
- ~~14 Pension plan assets are invested by fund managers. Monthly statements are provided by the trustee showing asset market values, investment income, pension benefits, refunds of contributions and plan expenses.~~
- 15 A Statement of Net Assets and a Statement of Changes in Net Assets for all pension plans are prepared quarterly. These statements show pension asset market values, contributions receivable, accounts payable, investment income, changes in market values, contributions received, pension benefits paid, refunds of contributions and plan expenses.
- 16 ~~For the defined benefit pension plan, employee contributions for current service are matched by NSPI through the payroll system and remitted to the trustee for investment by fund managers. Additional employer contributions for current service and/or past service, where required, are also remitted to the trustee for investment by the fund managers.~~
- 17 For the defined contribution pension plan, employee and employer contributions are remitted to a pension plan administrator and invested according to instructions provided by the employee.
- 18 Administrative expenses are paid by NSPI and reimbursed from the pension fund through requests to the trustee.

Deleted: 13**Formatted:** Font: 10 pt**Formatted:** Bullets and Numbering**Formatted:** Font: 10 pt**Deleted:** Pension funding is paid as determined in an annual actuarial valuation, ¶
¶**Deleted:** E**Formatted:** Font: Not Bold**Deleted:** August 10, 2006

DEFINITION

- 01 Oracle is a relational database system that stores all information in a manner that permits the integration of data between various functions. This database is the corporate standard for development of new systems and allows all systems, both old and new, to have access to the same data.
- 02 In addition to the database itself, the Oracle-developed software is used for General Ledger, Accounts Payable, and Purchasing. The financial database is also used for in-house developed systems such as Invoice Express.

APPLICATION

- 03 After the separation of the regulated utility business of NSPI and the other businesses of Emera Inc.¹, NSPI segregated its financial data from its affiliates using the “Multi-Org” functionality available within the Oracle environment. An account structure was created more appropriate for non-electric utility businesses and a separate “sets of books” (25-digit account structure vs. 14-digit account structure²) was developed within the financial applications
- 04 The key users of these systems are Corporate Accounting Services (for the General Ledger), Accounts Payable and Materials Management
- 05 The province-wide availability of Oracle also allows for more decentralization of tasks. Field users enter their own Limited Purchase Orders directly into the system, and create their own requisitions. Requisitions are approved on-line, and are then used to generate purchase orders. These factors allow field managers to better track their own expenditures, and to follow the status of their requisitions through the approval process, the creation of the purchase orders, and the receipt of the goods in question. Also field users can upload any journal entry which reduces the need for re-entry by head office staff.
- 06 The integration of the database allows the information originally entered by the user to continue through the purchasing process to the receiving of the goods and the payment of invoices. All the accounting information is then moved directly into the General Ledger.

¹ See Section 1500

² See Section 3100

ACCESS

- 07 Oracle assigns user access on the basis of responsibilities. These responsibilities has their own menus, determining what functions can be used. With the exception of system administration, database administration and IT functions, all responsibilities, and the related menus, are custom-built by the Oracle system administrators at NSPI.
- 08 The primary reason for the design of the various responsibilities is to separate tasks between users. For instance, the maintenance of the Vendor Master file is kept apart from both Buyers and Accounts Payable Representatives and access to information of one affiliate by another affiliate is limited to the appropriate users (Corporate Accounting Services staff).
- 09 When new users are added to the Oracle system, a record is created of the employee, their personnel number, their location, and their supervisor. If the employee is to be added as someone with signing authority, that employee's signing authority limit is also recorded. At that point a User-ID is created and all appropriate responsibilities are given to that user.

INTRODUCTION

- 01 Since the move to online input of General Ledger data, the Chart of Accounts has undergone extensive changes. With the exception of the first segment, **Company**, all segments of the **accounting flex field** have been modified. The changes reflect the expansion of segment values, redefinition of existing values and change in focus of segment coding. The most important of these modifications are noted below:
- expansion of the **Account Segment**;
 - additional transmission and distribution functions within the **Activity Segment** to provide more specific information on expenditures in these areas;
 - overhaul of the **Cost Centre Segment** to reflect the extensive reorganization of departments/divisions/VP groups; and
 - the introduction of standardized system codes within the **Project Segment** to accumulate costs by major system component.
- 02 In order to recognize these changes and enable users to more effectively control their costs, a new Chart of Accounts has been produced. The Chart of Accounts is updated on a regular basis and posted on the NSPI intranet. It is filed with the UARB annually.
- 03 The Chart of Accounts is intended as a reference document. It includes definitions of segments covering divisional expenditures as well as complete listings of all valid segment values.

Deleted: User groups should consider developing their own customized account listing to highlight significant expenditures within their areas. To do so, user groups should contact the Corporate Controller.

OVERVIEW

- 04 The account structure utilized by NSPI has been designed to address operational, financial and regulatory requirements. Accordingly, the account structure meets internal, CICA and UARB needs and is consistent with the **FERC** uniform system of accounts.
- 05 The Oracle account number consists of a fourteen digit **accounting flex field**. The flex field is made up of five segments as shown below.

Company	Account	Activity	Cost Centre	Project
X -	XXX -	XXX -	XXX -	XXXX

Deleted: August 10, 2006

06 **Company Segment**

The first segment titled **Company** is a single digit and will be a 1 for all items except Capital Work Orders. Capital work requires a 2 to be inserted in this field.

07 **Account Segment**

The second segment is the three-digit account number which indicates the type of transaction - revenue, expense, asset, liability or equity. A complete listing of account numbers is provided in the Chart of Accounts.

08 **Activity Segment**

The third segment is titled **Activity** and indicates the function, work program or section involved. If this breakdown is not appropriate, a default of "000", titled "None" is available. A listing of all available activities with definitions is provided in the Chart of Accounts.

09 **Cost Centre Segment**

The fourth segment indicates the **Cost Centre**. The lowest level of cost centre available (department/district) is termed the "Child" and is the only level which can accept direct charges. Summary reports to divisional/corporate levels are provided by "Parent" cost centres. Parent codes are alphabetical and compile information for all associated cost centres. For non-routine Capital Work Orders, the cost centre applied must be consistent for all charges under the Work Order. A complete list of all cost centres is provided in the Chart of Accounts.

10 **Project Segment**

The final segment is the four-digit project identifier. The project identifier is optional for operating expenses, but can be used to track specific short-term operating projects. Sequential numbers are assigned to operating projects by Corporate Accounting Services.

A project identifier is mandatory for capital items. The first character in the project code identifies the function involved (S-steam, H-hydro, T-transmission, D-distribution, G-gas turbine, W-Wind Generation and P-general property). The last three characters of a project identifier represent a capital work order number. Generally Construction Work in Progress accounting flex fields will have a work order number, while accounting flex fields for property, plant and equipment will have "000" as the final three characters.

 1

Formatted: Indent: Left: 0.5"**Deleted:** Section 3100A and in**Deleted:** posted on the NSPI Intranet. ¶**Deleted:** **Account Code¶**
Major Classification Number Range¶
 ¶
 Expenses . 001-099¶
 Revenues . 100-199¶
 Property, Plant and Equipment . 200-230¶
 Deferred Assets . 250-266¶
 Current Assets . 300-399¶
 Long Term Debt . 400-499¶
 Current Liabilities . 500-700¶
 Equity . 750-799¶
 Statistics . 800-852¶
Formatted: Indent: Left: 0.5"**Deleted:** in Section 3100B and**Deleted:** posted on the NSPI Intranet. ¶**Deleted:** **Activity Code¶**
Major Classification Number Range¶
 ¶
 Capital Series . 000-099¶
 Administration and General Series . 100-199¶
 Customer Operations Series . 200-251¶
 General Admin. and Maintenance Series . 252-299¶
 Power Production Series . 300-399¶
 Miscellaneous Activities . 400-770¶
 Retirement Activities . R01-R99¶
 ¶
 Accounting flex fields beginning ... [1]
Deleted: in Section 3100C and**Deleted:** posted on the NSPI Intranet.**Deleted:** **Cost Centre Code¶**
Major Classification Number Range¶ ... [2]**Deleted:** 11 Example of an Operating Expense Accounting Flex Field¶ ... [3]**Deleted:** August 10, 2006

Major Classification	Activity Code Number Range
Capital Series	000-099
Administration and General Series	100-199
Customer Operations Series	200-251
General Admin. and Maintenance Series	252-299
Power Production Series	300-399
Miscellaneous Activities	400-770
Retirement Activities	R01-R99

Accounting flex fields beginning with a 2 (capital) are limited to activity codes which begin with either a 0 (installed cost) or R (retirement). The scope covered by each of the retirement activities (RXX) is the same as the associated installed cost activity (0XX). Activities which begin with a 1 are typically general, administrative functions while those with a 2 or 3 in the first digit generally indicate Customer Operations or Power Production activities respectively. If required, activities beginning with a 0 can be applied to operating items. Additional activities have been added to assist with internal cost breakdown as required.

Major Classification	Cost Centre Code Number Range
General	000-100
Wind Generation	201-210
Fossil Fuel Generation	301-400
Hydro Generation	401-499
Marketing & Sales	500-540
Customer Operations	541-899
Other	900-999 + Alphabetic Codes

11 Example of an Operating Expense Accounting Flex Field

An example of operating accounting flex field without a project number is as follows:

Company	Account	Activity	Cost Centre	Project
1 -	001 -	204 -	611 -	0000

Company	1	Oracle Financial System complete general ledger
Account	001	Regular labour
Activity	204	Distribution equipment maintenance
Cost Centre	611	Halifax Region
Project	0000	No specific project

12 Example of a Capital Item Accounting Flex Field

An example of a building accounting flex field at the Lingan Generating Station is as follows:

Company	Account	Activity	Cost Centre	Project
2 -	200 -	003 -	301 -	S000

Company	2	Oracle Financial System capital identifier
Account	200	Property, plant and equipment
Activity	003	Buildings, structures and grounds
Cost Centre	301	Lingan Administration/Capital
Project	S000	Steam plant

13 Example of a Capital Item Accounting Flex Field

An example of the accumulated depreciation accounting flex field relating to buildings at the Lingan Generating Station is as follows:

Company	Account	Activity	Cost Centre	Project
2 -	210 -	R03 -	301 -	S000

Company	2	Oracle Financial System capital identifier
Account	210	Accumulated depreciation
Activity	R03	Ret./Acc. Dep. - Buildings, structures and grounds
Cost Centre	301	Lingan Administration/Capital
Project	S000	Steam plant

14 Example of a Construction Work-in-Progress Item Accounting Flex Field

The following example demonstrates an accounting flex field for an addition to property, plant and equipment at Point Tupper. Please note that activity 005 - Indirect Costs is used to record costs such as Applied Overhead¹ and Allowance for Funds Used During Construction².

Company	Account	Activity	Cost Centre	Project
2 -	001 -	005 -	351 -	S348

Company	2	Oracle Financial System capital identifier
Account	001	Regular labour
Activity	005	Indirect costs
Cost Centre	351	Point Tupper Administration/Capital
Project	S348	Steam plant work order # 348.

¹Please refer to Section 6230.

²Please refer to Section 6240.

GENERAL

- 01 Generic accounts simply provide a higher level summary of NSPI's asset accounts than the break down furnished by the capital activities. The format conforms to the account descriptions used by the Federal Energy Regulatory Commission ("FERC") in the United States. Appendix A contains a table that provides a cross reference of the generic accounts reported to the UARB and the activities used to internally track asset costs.

POLICY

- 02 The Company should use generic accounts to summarize its asset activity codes for filings with the UARB.

GENERIC ACCOUNT DESCRIPTIONS**Land and Land Rights**

- 03 Includes the cost of land owned and the rights, interests and privileges held by the Company in land owned by others. Land and land rights shall be classified within the function according to the major purpose for which it was acquired. Some points to note about land and land rights:
- a. When special assessments are assigned to land and are in the form of deferred payments, the full amount of the assessment only shall be charged against the land account.
 - b. When land and buildings are acquired together, the costs shall be apportioned between land and buildings according to an independent appraisal.
 - c. If the buildings acquired are to be demolished without being used for utility operations, the cost of removal and any salvage shall be charged against the land account.
 - d. The first clearing and grading of land and any damage costs to associated property shall be charged to the appropriate plant accounts and not to the land account.
 - e. When the purchase of land for utility operations requires the purchase of more land than is needed the specific land account shall be charged with the cost of land purchased less fair market value of the land that is deemed surplus. This amount shall be charged to an appropriate land held for future use account.
 - f. This account shall be charged with:
 - i. the costs of acquiring land held in fee simple and used for construction and operation of the utility.
 - ii the cost of removal of any buildings included in the original acquisition of the land.
 - iii the costs associated with acquiring land rights.

Deleted: August 10, 2006

- g. This account shall be credited with:
- i. the net proceeds from the sale of timber, cord wood, gravel, etc.
 - ii. the salvage received for the sale of buildings originally included on the land or any salvage received for the components of these buildings.
 - iii. in the case of the disposal of land the original cost of any land or land rights sold.

- h. Any profit or loss on the sale of land shall be charged to an appropriate gain or loss on land sale account in accordance with the procedures in Section 6440.

Formatted: Indent: Left: -1",
Hanging: 2"

Deleted: (

Deleted: .)

Buildings, Structures and Grounds

- 04 Includes the installed cost of all permanent structures, services and improvements used to house, support, or safeguard property or persons. Also includes those items that are permanently attached to buildings and could not be removed without cutting into the building and any improvement of a permanent nature on or to land. Buildings shall be classified within the function according to the major purpose under which it was acquired or constructed. Some points to note about buildings, structures and grounds:
- a. When land and buildings are acquired together, the costs shall be apportioned between land and buildings according to an independent appraisal.
 - b. If the buildings acquired are to be demolished without being used for utility operations, the cost of removal and any salvage shall be charged against the land account.
 - c. The first clearing and grading of land and any damage costs to associated property shall be charged to the appropriate building account for its initial construction.
 - d. The cost of foundations supplied specifically for and not intended to outlast the machinery or equipment shall be charged to the same account as the machinery or equipment.
 - e. Minor buildings shall be considered to be part of the cost of the facility with which it was constructed.
 - f. When the structure of a dam forms the foundation of a power plant building the foundation shall be charged to the dam.
 - g. If furnaces or boilers provide heat to the plant as an incidental item to their prime purpose these items shall be charged to the appropriate plant account.
 - h. When material is excavated in connection with the construction of a building the costs of loading, hauling and dumping shall be charged to the project where it is ultimately used.

Deleted: August 10, 2006

- i. If the excavated material is sold the expenses incurred less any revenue received will be charged or credited to the construction project from which the material was taken.
- j. This account shall be charged with:
 - i. the costs associated with constructing buildings and all the associated attachments. This includes labour, materials, consulting, contractors' costs, construction overheads and allowance for funds used during construction.
 - ii. the costs associated with the acquisition of a building including legal, broker and appraisal fees, etc.
 - iii. the cost of permanent improvements on or to land.
 - iv. excavation costs such as loading, hauling and dumping fill.
- k. This account shall be credited with:
 - i. the salvage received from the sale of excavated material.

Miscellaneous Equipment

- 05 Includes the installed cost of all miscellaneous items that cannot be attributed to any other specific property unit.

Indirect Costs

- 06 Includes administrative/financial costs of construction (allowance for funds used during construction, administrative overheads, inspections, traffic control, pole stacking, etc.) plus all costs associated with the design, commissioning, field supervision, project management and any survey and mapping costs.

Deleted: .

R & D Activity

- 07 Includes eligible ~~Scientific Research~~ and Experimental Development, ~~capital expenditures~~.

Deleted: s

Deleted: r

Deleted: C

Deleted: E

Capital Contributions

- 08 Includes the value of cash or assets received to defray the cost of construction of an asset for customer use. This can take the form of cash payments or asset title transferred to the Company.

Environmental Equipment

- 09 Includes the installed cost of all equipment used to monitor, control and reduce the emission of gases and other environmentally sensitive discharges. This account will also include the cost of facilities used in connection with the conservation of fish and wildlife and for recreational purposes.

Deleted: August 10, 2006

Site Restoration

- 10 Included in this activity is the present value of the future cost of site restoration associated with the generating facilities.

Prime Movers & Generators

- 011 Includes the installed cost of the ~~steam, gas, hydraulic or wind~~ turbine driven units and associated equipment used primarily for the production of electrical energy.

Deleted: following major main

Boiler Plant Equipment

- 12 Includes the installed cost of the following major equipment used for the production of steam to be used primarily for generating electrical energy:

Deleted: <#>.¶
¶

- a. Furnaces
- b. Boilers
- c. Fuel Preparing Equipment
- d. Fuel and Ash Handling Equipment
- e. Steam and Feedwater Piping

Electrical Plant

- 13 Includes the installed cost of the following major equipment used primarily for the control and switching of electrical energy and protection of electrical circuits and equipment:

- a. Auxiliary Generators
- b. Conversion Equipment
- c. Control Equipment

Please note that Electric Plant does not include equipment designed to change the voltage or frequency of energy for the purpose of more efficiently transmitting or distributing this energy.

Roads, Trails and Bridges

- 114 Includes the cost of all permanent roads, trails and bridges ~~required to provide access for people and equipment to buildings, dams and other facilities.~~

Deleted: installed

Deleted: used primarily in the operation and maintenance of the NSPI system.

Deleted: This includes these items located on transmission line right of ways, hydro plants or elsewhere.

Deleted: August 10, 2006

Reservoirs, Dams & Waterways

- 15 Includes the ~~installed~~ cost of facilities used for impounding, collecting, storage, diversion, regulation and delivery of water used primarily for generating electricity.

Deleted: in place

District Heating & Cooling

- 16 Includes the cost of ~~the water piping network and heat exchangers at both power plant and client facilities.~~

Deleted: all district heating & cooling facilities

Poles, Towers and Fixtures

- 17 Includes the installed cost of all poles, towers and associated fixtures used primarily to support distribution and transmission overhead facilities and their connection to underground systems. This account includes the cost of all equipment used to hold these poles in place, but excludes the cost of poles used solely to support street and highway lighting equipment. Please note that poles used jointly for transmission and distribution should be charged to the transmission function poles.

Overhead Conductor

- 18 Includes the installed cost of all overhead conductors and associated equipment used in the transmission and distribution of electrical energy.

Please note that overhead conductor does not include the cost of conductor, etc., used solely for the street and highway lighting system.

Line Transformers - Overhead

- 19 Includes the installed cost of all transformers and associated equipment used in the transformation of electrical energy in the transmission and distribution overhead system to a voltage that can be used by the customer.

Station Equipment

- 20 Includes the installed cost of all equipment used for the purpose of changing the characteristics (voltage, etc.) of electricity in the distribution level of voltage. This account also includes the cost of buildings erected for the purpose of being used primarily in the substation function.

Underground Conduit

- 21 Includes the installed cost of all underground ~~conduit and tunnels used to house transmission or distribution wires.~~

Deleted: circuits

Deleted: ¶

Deleted: August 10, 2006

Underground Conductors

- 22 Includes the installed cost of all underground conductors and other equipment used in the underground system. This includes any underwater facilities as well.

Line Transformers - Underground

- 23 Includes the installed cost of all transformers and associated equipment used in the transformation of electrical energy in the underground system to a voltage which can be used by the customer.

Street Lighting

- 24 Includes the installed cost of all equipment used entirely for the unmetered street and highway lighting systems.

Meters

- 25 Includes the purchased cost of all meters and related equipment used to measure the electricity delivered to customers.

Deleted: and associated labour

Services

- 26 Includes the installed cost of overhead or underground conductors leading from the point where the wires leave the last pole or manhole to the point where it is connected to the customer's service entrance.

Communication Equipment

- 27 Includes the installed cost of all radio, telephone and microwave equipment for use within the Company.

SCADA Equipment

- 28 Includes the installed cost of all supervisory control and data acquisition system (SCADA) that is a computer directed control system that allows for data acquisition that can remotely direct the energy generation and transmission based on the criteria used to efficiently control generation and transmission of electricity.

Transportation Equipment

- 29 Includes the installed cost of all transportation and work vehicles used for utility purposes.

Deleted: August 10, 2006

Office Equipment

- 30 Includes the installed cost of all office related furniture and equipment. This account does not include general purpose computer equipment.

Shop Equipment

- 31 Includes the installed cost of all equipment used in repair work for general shops.

Leases and Leasehold Improvements

- 32 Includes the installed cost of all leases and leasehold improvements.

Computer Equipment

- 33 Includes the installed cost of all computer ~~hardware and software~~ that is used in the general operations of the Company.

Deleted: equipment

Laboratory Equipment

- 34 Includes the installed cost of all laboratory equipment for all functions of the Company.

Stores Equipment

- 35 Includes the installed cost of all equipment used in the receiving, shipping, handling and storage of materials and supplies used in the storeroom.

Mining Equipment

- 36 Includes the value of all mining assets owned by NSPI.

Intangible Non-utility

- 37 Includes the installed cost of all intangible assets that are part of the Company's long-term investment to provide service to the public that is not substantiated by a physical asset as well as the installed cost of all property that is not used directly to supply electric service to a consumer.

Deleted: August 10, 2006

GENERIC ACCOUNTS -

CROSS REFERENCE TO CAPITAL ACTIVITIES - 3350A



GENERIC ACCOUNT	ACTIVITY	CODE	STM (S)	GAS (G)	HYD (H)	TRN (T)	DIST (DP)	GEN (P)	WIND (W)
Land and Land Rights	Land	001	X	X	X	X	X	X	
	Land Rights	002	X	X	X	X	X	X	X
Buildings, Structures & Grounds	Buildings, Structures & Grounds	003	X	X	X	X	X	X	
Miscellaneous Equipment	Miscellaneous Equipment	004	X	X	X	X	X	X	
Indirect Charges	Indirect Charges	005	X	X	X	X	X	X	X
	Design	085	X	X	X	X	X	X	X
	Commissioning	086	X	X	X	X	X	X	X
	Field Supervision and Operations	087	X	X	X	X	X	X	X
	Survey and Mapping	088	X	X	X	X	X	X	X
R&D Activity	R&D Activity	089						X	
Capital Contribution	Capital Contribution	006	X	X	X	X	X	X	
Environmental Equipment	Environmental Equipment	007	X	X	X	X	X	X	
Site Restoration Asset	Site Restoration Asset	008	X		X				
Boiler Plant Equipment	~~Plant Control and Instrumentation~~	011	X						
	Boiler	013	X						
	Circulating Water System	014	X						
	Waste Water System	015	X						
	Feedwater System	016	X						
	Draft Equipment/ ~~Stacks~~	017	X						
	Fuel Handling – Natural Gas	012		X					
	Fuel Handling – Coal	018	X						
	Fuel Handling – Oil	019	X	X					
	Fuel Handling – Limestone	020	X						
	Ash Handling Equipment	021	X						
Electrical Plant	Electrical Control Equipment	022	X	X	X				X
	~~Power Equipment – Station Service~~	023	X	X	X				
Prime Movers & Generators	~~Turbogenerator Installation~~	010	X						
	Turbine	024			X				
	Generator	025			X				
	Gas Turbine Engines	030		X					
	Wind Generating Installation	031			X				X
Reservoirs, Dams & Waterways	Waterways	027	X		X				
	Dams & Spillways	028			X				
	Land Drainage	029			X				
District Heating & Cooling	District Heating & Cooling	032	X						
Roads, Trails & Bridges	Roads, Trails & Bridges	026			X				X
Poles, Towers, & Fixtures	Wooden Poles	035				X	X		
	Other Poles	036				X	X		
	Steel Towers	037				X	X		
	Insulators	038				X	X		

Deleted: Boiler

Deleted: Conversion

Deleted: .

Deleted: .

Deleted:

Deleted: August 10, 2006

GENERIC ACCOUNTS -

CROSS REFERENCE TO CAPITAL ACTIVITIES - 3350A



GENERIC ACCOUNT	ACTIVITY	CODE	STM (S)	GAS (G)	HYD (H)	TRN (T)	DIST (DP)	GEN (P)	WIND (W)
Overhead Conductor	Overhead Conductor	039				X	X		
	Overhead Conductor Devices	040				X	X		
Line Transformers - Overhead	Overhead Transformers	041					X		
	Overhead Transformer Devices	042					X		
Station Equipment	Substation Devices	043				X	X		
	Substation Transformers	044				X	X		
Underground Circuit	Underground Conduit	045				X			
Underground Conductors	Underground Conductor	046				X	X		
	Underground Conductor Devices	047				X	X		
Line Transformers - Underground	Underground Transformers	048					X		
	Underground Transformer Devices	049					X		
Street Lighting	Street Lighting	050					X		
Meters	Meters	051					X		
Services	Services	052					X		
Communication Equipment	Subscriber Mobile Radio	053						X	
	Remote Monitoring	054						X	
	Teleprotection	055						X	
	Communication Entrance Cables	056						X	
	Leased Communication Facilities	057						X	
	Power Line Carrier	058						X	
	Multiplex	059						X	
	Broadband Radio	060						X	
	Telecommunication Systems	061						X	
	Fibre Optics	062						X	
SCADA Equipment	Mobile Radio Infrastructure	063						X	
	SCADA Equipment	064						X	
Transportation Equipment	Transportation Vehicles	065						X	
	Work Vehicles	066						X	
Office Equipment	Office Equipment	067						X	
	Office Furniture - General	068						X	
	Office Furniture - Modular	069						X	
Shop Equipment	Shop Equipment	070						X	
Leases and Leasehold Improvements	Leasehold Improvements	071						X	
	Capital Lease	075						X	
Computer Equipment	Computer Hardware & Operating Software	072						X	
	Computer Application Software	078						X	
Laboratory Equipment	Laboratory	073						X	
Stores Equipment	Stores	074						X	
Mining Equipment	Mining Equipment	076						X	
Intangible Non-Utility	Purchase Price Difference	080						X	
	Non-Utility Property	081						X	

Deleted: s

Deleted: Microwave

Deleted: Telephone

Deleted: s

Deleted: Scada

Deleted: .

Deleted: Enterprise

Deleted: Discrepancies

Deleted: August 10, 2006

POLICIES

- 01 The Company records revenue from the sale of electricity to customers at rates approved by the UARB and net of taxes.
- 02 Revenue should be billed on a cyclical basis with an estimate of revenue from energy supplied but not yet billed to customers accrued monthly. The total unbilled revenue receivable should appear on the balance sheet as a current asset.

PROCEDURES

03 Billed Electric Revenue

Billed electrical revenue and related kWh statistics are recorded by customer classification from computerized month-end billing reports and from other revenue reports from the Billing Department for certain large customers. The journal entry for electrical energy sales is as follows:

Account	Number	Debit	Credit
Electric Service Receivables	330	XXX	
Residential	100		XXX
Time of Use	105		XXX
Small General	110		XXX
General	114		XXX
Large General	118		XXX
Power Profile Revenue	120		XXX
Unmetered	125		XXX
Small Industrial	130		XXX
Medium Industrial	135		XXX
Large Industrial	140		XXX
TOU – Real Time Price	142		XXX
2PRTP	143		XXX
Interruptible	145		XXX
Ind. Expansion Interruptible	147		XXX
Electric Rate Adjustment	149		XXX
Replacement Load Following	150		XXX
Extra Lg. Ind. Interruptible	151		XXX
~~Extra Lg. Industrial 2P-RTP~~	~~152~~		~~XXX~~
Bowater Mersey	155		XXX
Bowater Mersey Expansion	157		XXX
Municipal	165		XXX
Other Electric Revenue	169		XXX
~~Export Sales~~	~~170~~		~~XXX~~
HST Payable	575		XXX

Deleted: Extra Lg. Industrial 2P-RTP 152 XXX¶

Deleted: GRID

Deleted: August 10, 2006

04 **Unbilled Electric Revenue**

An estimate of unbilled electrical revenue and related kWh statistics is recorded by customer classification. The journal entry for the accrual of unbilled electrical service is as follows:

Account	Number	Debit	Credit
Unbilled Revenue Receivable	355	XXX	
Residential - Accrued	102		XXX
Time of Use – Accrued	106		XXX
Small General - Accrued	112		XXX
General - Accrued	116		XXX
Unmetered - Accrued	127		XXX
Small Industrial - Accrued	132		XXX
Medium Industrial - Accrued	137		XXX

This journal entry is net of the reversal of the previous month's accrual.

Deleted: August 10, 2006

DEFINITION

- 01 Other revenue includes:
- a. Revenue from materials sales;
 - b. Wiring inspection revenue;
 - c. Services provided to others;
 - d. Customer forfeited discounts;
 - e. Miscellaneous customer charges (e.g., connection fees);
 - f. Rental income; and
 - g. Miscellaneous revenue.

POLICY

- 02 The Company records "other revenue" from various sources on the same basis as electric revenue -- on either an as-billed or accrued basis as it relates to the service provided.

PROCEDURE

- 03 Other revenue is initiated by various Company personnel. The general journal entry to record other revenue is:

Account	Number	Debit	Credit
Accounts Receivable	Various	XXX	
Type of Revenue	Various		XXX
HST Payable	575		XXX

DEFINITIONS

01 Fuel includes the total cost, including freight, of all fuels used in the generation of electrical energy. NSPI primarily uses solid fuel, natural gas, and heavy fuel oil; however, fuel also includes light fuel oil and fuel additives.

Deleted: coal

Deleted:

02 Power purchased includes the cost of all electrical energy purchased for resale from other power producers.

POLICY

03 The Company should record the cost of fuels consumed and the cost of power purchased as an expense in the statement of earnings in the period of consumption or purchase.¹

PROCEDURES**04 Fuel Consumption**

Fuel costs are charged to expense as follows:

a. Fuels are recorded as inventory when received.

b. As fuel is consumed, its cost is relieved from inventory using the weighted average cost method and is charged to fuel expense (accounts 069 to 075). Consumption reports from each generating plant form the basis of these entries.

Deleted: FIFO

c. Entries relating to derivative transactions are also included in fuel expense.

Deleted:

Deleted: Adjustments

Deleted:

05 Power Purchases

The cost of power purchases are charged to expense (account 076) as they are received.

Deleted: via billings from various producers.

¹ CICA Handbook, 1520.04.

Deleted: August 10, 2006

DEFINITION

- 01 Operating, maintenance and general ("OM&G") expenses include all costs of operation except fuel and power purchases, fuel adjustment mechanism, grants in lieu of property taxes, provincial capital tax, AFUDC, depreciation, regulatory amortization, interest, and income taxes. Examples of OM&G expenses include, but are not limited to, labour, materials, travel expenses, office supplies, chemicals and rent.

POLICY

- 02 The Company should record the cost of OM&G expenditures that do not benefit any future period as an expense in the Statement of Earnings in the period that they are incurred.¹

PROCEDURES

- 03 OM&G expenses are recorded, in both computerized and manual sub-systems, as they are incurred along with any required accruals.
- 04 The major subsystems that interface with the OM&G general ledger accounts include payroll, accounts payable, and materials and supplies inventories. Miscellaneous manual adjustments are processed for minor expense items.
- 05 Additional classifications within the **accounting flex field** structure allow the accumulation of costs by activity.
- 06 The OM&G expense accounts range from 001 to 066 while OM&G activities include 100 to 399. Please refer to Section 3100 for a more detailed discussion of the Oracle Financial System account structure.

¹ CICA Handbook, 1000.38, 1520.04

Deleted: August 10, 2006

POLICIES

- 01 The cost of property, plant and equipment should be depreciated over the estimated service lives of assets.¹
- 02 **Net salvage values** should be amortized over the estimated service lives of the assets to which they relate and either charged to depreciation expense (when negative) or credited to depreciation expense (when positive).
- 03 Depreciation expense should be provided on a straight-line basis.
- 04 Where NSPI has a legal obligation associated with the retirement of a tangible long-lived asset that NSPI is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel², NSPI will include a portion of this Asset Retirement Obligation (ARO) in Depreciation Expense. Please refer to Section 6320 for Asset Retirement Obligations.

PROCEDURES

- 05 The life estimations, including AROs and other significant assumptions are periodically reviewed and the results filed with the UARB for its approval.
- 06 The depreciation base consists of the original cost of assets in service, including AROs, but excludes the following assets which are not depreciated:
 - a. land and land acquisition costs - these costs are excluded since land generally appreciates in value over time with the recovery of invested capital occurring at the time of disposal; and
 - b. fully-depreciated assets - these are assets which have been fully depreciated but have not been retired from service.
- 07 In most cases, depreciation begins in the month an asset is placed in service and ceases on the first of the month in which it is retired. The exceptions are large projects, such as thermal plants, that are depreciated on the specific day the asset goes into service and depreciation is stopped when it is retired as these have a significant financial impact on the Company.
- 08 Depreciation rates, including net salvage allowances, are approved by the UARB based on periodic depreciation studies and/or settlement agreements filed with the Board.

¹CICA Handbook, 3061.28.

²CICA Handbook, 3110.03

Deleted: August 10, 2006

09 The remaining life is forecasted through the use of mortality statistics that determine the best fit **Iowa Curve** which gives the expected retirement characteristics. This technique is applied to all mass plant accounts. Production plant assets remaining life is derived using engineering studies.

| 10 Depreciation rates are filed [annually with the Annual Capital Expenditures Plan](#).

Deleted: on the NSPI intranet

Deleted: August 10, 2006

AMORTIZATION - CAPITAL CONTRIBUTIONS IN AID OF CONSTRUCTION - 5310



POLICY

- 01 Capital contributions in aid of construction or Government assistance towards the acquisition of fixed assets should be amortized to income using the same depreciation rates as the assets to which they relate.¹¹²

PROCEDURES

- 02 Amortization base equals the amount of the capital contribution by plant activity code.

- 03 The timing of commencement of amortization is the same as the associated asset.

04 The journal entry used to record the amortization of contributed capital would be as follows:

DR	1-215	Amortization of Contributed Capital
CR	1-085	Depreciation Expense

Deleted: 04 . The following example will demonstrate the amortization of capital contributions in aid of construction:[¶]

[¶] A cash capital contribution of \$12 million was received from the Federal Government for Unit #5 at Trenton. This annual amortization is calculated as follows:[¶]

[¶] Capital contribution amount ... [1]

Deleted: 5 .

Deleted: . . .

Deleted: 315,600

Deleted: 315,600

¹CICA Handbook, 3061.28., 3800.26.

Deleted: August 10, 2006

04 The following example will demonstrate the amortization of capital contributions in aid of construction:

A cash capital contribution of \$12 million was received from the Federal Government for Unit #5 at Trenton. This annual amortization is calculated as follows:

Capital contribution amount	\$	12,000,000
Depreciation rate - Trenton plant		2.63%
Annual charge	\$	315,600

0

**AMORTIZATION -
PURCHASE PRICE DISCREPANCY - 5320**

DEFINITION

- 01 Purchase price discrepancy is the excess of the cost of acquired assets over the net amount assigned to the assets acquired and liabilities assumed as approved by the UARB.

POLICY

- 02 Purchase price discrepancies should be amortized to income on the same basis as the assets to which they relate.
- 03 Because purchase discrepancies are excluded from rate base¹, their amortization is a shareholder expense and is not recovered through rates. Any tax savings directly associated with the amortization of purchase price discrepancy accrue directly to shareholders.
- 04 Please refer to Section 6250 for the recording of purchase price discrepancies.

¹Please refer to Section 1520.

GENERAL

01 Interest Expense

The interest expense figure on the Statement of Earnings is a net amount comprised of several different income and expense items. The individual items include:

- a. long-term debt interest;
- b. amortization of debt issue costs;
- c. amortization of debt defeasance costs;
- d. foreign exchange costs;
- e. short-term debt interest;
- f. bank charges;
- g. gains on the debt defeasance portfolio; and
- h. payments/receipts on hedge positions;

02 Debt Issue Costs

The issue of long-term debt is usually an involved process in which the Company may retain the services of brokers, lawyers and auditors. Since the cost of using these services can be significant and provide future benefit to the company, GAAP permits these costs to be deferred and amortized over the life of the related debt instrument. Significant amounts such as premiums, discounts and commissions are deferred. The remainder of the costs are expensed in account 084 bank charges.

03 Debt Defeasance Costs

Debt Defeasance costs are the incremental cost of assets over the face amount of the long-term debt of Nova Scotia Power Finance Co. ("NSPFC") placed in trust to defease the NSPFC debt. The UARB has permitted the Company to recover these costs over the life of the related NSPFC debt.

04 Foreign Currency Translation

Please see Section 2200

05 Interest expense should be recorded on an accrual basis.

Deleted: POLICIES

Deleted:

Deleted: August 10, 2006

- 06 Debt issue costs should be deferred and amortized on a straight-line basis over the term of the related debt.
- 07 Costs associated with the defeasance of NSPFC long-term debt should be deferred and amortized over the remaining life of the NSPFC debt.

PROCEDURES

08 Long-term Debt - Interest Expense - Canadian (Accounts 080 and 088)

These accounts include interest on NSPI debentures and other miscellaneous Canadian dollar denominated long-term debt. Interest expense is accrued monthly based on ~~the actual number of days~~ whether interest payments are made annually or semi-annually. Actual interest payments are debited to the accrued interest account.

Deleted: 30-day months

09 Short-term Debt - Interest Expense - Foreign (Account 079)

The Company's short-term debt portfolio may also include U.S. dollar denominated debt instruments. Interest expense is accrued monthly based on 30-day months. Accrued interest payable on U.S. dollar denominated debt is translated to Canadian dollars on the last business day of the month using the noon exchange rate. Refer to Section 2200 for further details.

10 Amortization of Long-term Debt Issue Costs (Accounts 082, 089 and 090)

The Company defers costs associated with the issuance of long-term debt including commissions, discounts/premiums ~~and legal and audit fees, if significant~~. These costs are amortized monthly on a straight-line basis over the life of the related debt.

Deleted: legal fees, audit fees and

11 Short-term Interest (Account 083)

This account includes all interest, commissions, stamping fees, ~~and overdraft charges associated with the issuance of commercial paper, banker's acceptances, hedge settlements, and prime loans~~. These costs are expensed or amortized monthly over the number of days of the associated debt.

Deleted: standby fees

Interest income generated from short-term investments is netted against short-term interest expense for presentation purposes.

Deleted: August 10, 2006

12 **Other Expenses - Bank Charges (Account 084)**

The Company expenses related banking costs in the month in which they occur. Stand by fees and letters of credit fees are expensed in the quarter in which they occur. Credit facility fees are expensed over the period to which they relate.

Deleted: all

Deleted:

Deleted: .

13 **Foreign Exchange Expense (Account 081)**

It is the Company's intent to assign foreign exchange costs directly to the end-use accounts based on an estimate of the foreign exchange rate set for the month. However, due to fluctuations in exchange rates throughout the month, and differences in the timing of the purchases of foreign currency and the payment of foreign denominated invoices, over or under applied foreign exchange costs often arise which are not allocated back to the end-use accounts.

The outstanding balance in the U.S. funds bank account is translated at month end and the foreign exchange account is either debited or credited.

Foreign exchange costs associated with foreign interest payments are included in foreign interest expense.

14 **Defeasance Earnings (Account 078)**

These earnings are generated through the management of the portfolio of investments related to the defeased debt.

Deleted: August 10, 2006

POLICY

- 01 The taxes payable method should be used to record income tax expense except as outlined in paragraph 02.
- 02 The Company will recognize a deferred regulatory asset (liability) related to the Fuel Adjustment Mechanism (FAM). Future income tax expense (recovery) and a corresponding future income tax asset (liability) related to the FAM will be recognized based on NSPI's applicable statutory income tax rates for the period expected to apply when the FAM regulatory asset (liability) reverses. The FAM regulatory asset (liability) includes the under or over-recovered fuels costs less the incentive adjustment as well as associated interest as reported in AFUDC.
- 03 Income tax expense should be categorized as current or future income tax expense as appropriate.
- 04 The Company recognizes a future income tax asset (liability). To the extent future income taxes are expected to be included in approved rates charged to customers in the future, the Company will recognize a deferred regulatory asset (liability).¹

FEDERAL INCOME TAXES

- 05 The Company is subject to federal income tax at prescribed rates applied to taxable income.

PROVINCIAL INCOME TAXES

- 06 The Company is subject to provincial income tax at prescribed rates applied to taxable income.

TAX ON LARGE CORPORATIONS

- 07 The Company is subject to a provincial capital tax ("~~PCT~~") at prescribed rates applied to taxable capital.
- 08 The Company prepares an estimate of its taxable capital using a projected year-end balance sheet. The capital estimate is then multiplied by the tax rate to determine the ~~PCT~~ payable for the year. The ~~PCT~~ estimate is prorated based upon days to determine the amount to accrue each month.

Deleted: a federal large corporations tax ("LCT") and

Deleted: L

Deleted: L

PART VI.1 TAX

- 09 The Company is subject to tax on the preferred share dividends paid at a rate of 40%. The Company receives a Part VI.1 tax deduction equal to three times that of the Part VI.1 tax. The net Part VI.1 tax is recorded as an additional cost (recovery) of the preferred share dividend.

1 CICA Handbook, 3465.103.

Deleted: March 24, 2009

Deleted: December 1, 2009

ACCOUNTING ROUTINES

- 10 A monthly income tax provision is recorded by calculating the forecasted taxable income for the period and multiplying by the Company's effective combined federal and provincial income tax rate. A provision for PCT is also recorded by multiplying the Company's forecasted taxable capital at year end by the legislated PCT rate and prorating the PCT based upon the number of days in the month.
- 11 The Company currently follows the policy of claiming sufficient capital cost allowance and cumulative eligible capital (the tax system's equivalent of depreciation and amortization), to minimize taxable income.
- 12 Federal and provincial income taxes are included in general ledger account 086 - Income Tax Expense and Provincial Capital Tax is included in account 067.

Deleted: L

Deleted: L

Deleted: , Federal LCT is included in account 068

Deleted: March 24, 2009

Deleted: December 1, 2009

DEFINITION

- 01 Capital assets include identifiable assets such as property, plant and equipment or intangible assets that are held for use in the production or supply of goods and services. They are intended for use on a continuing basis and are not intended for sale in the ordinary course of business.¹

GENERAL

- 02 An expenditure must create a benefit having a life of more than one year to be considered capital. Annual fees or maintenance costs do not create an asset; they simply maintain the existing asset base and should be expensed annually as incurred.
- 03 Other factors indicating an expenditure may be capital in nature include:
- a. it extends the service life of an existing capital asset;
 - b. it increases the capacity of an existing capital asset;
 - c. it substantially improves the production quality of an existing capital asset; or
 - d. it reduces the operating costs of an existing capital asset.
- 04 Additional guidance on the capitalization of cost is provided in instructions with the uniform system of accounts as prescribed by the National Association of Regulatory Commissioners and the Federal Energy Regulatory Commission, both of which are American organizations.
- 05 Capital expenditures are not expensed as incurred, but are recorded as assets that will benefit future periods. They reduce future net earnings through depreciation and amortization². Depreciation and amortization are methods of charging assets' costs to fiscal periods over their useful life.
- 06 In order to capitalize an expenditure, there must be reasonable assurance that the benefit will actually be realized by the Company.

POLICIES

- 07 Expenditures meeting the criteria described in Paragraphs 02 and 03 create a benefit that will be realized by the Company beyond the current year. Accordingly, they should be capitalized.

Formatted: Font: Not Italic

¹CICA Handbook, 3061.04.

²Please refer to Section 5300 for an explanation of depreciation expense.

Deleted: August 10, 2006

- 08 Expenditures should not be capitalized if it is not reasonably certain that the Company will receive a benefit from them.

Formatted: Font: Not Italic

PROCEDURES

- 09 Every expenditure must be classified as either capital or operating, and should be budgeted and accounted for accordingly. Operating costs are expensed in the year incurred, against the revenue earned in that period. The determination of capital versus operating should be made according to the nature of the item, and each item should be recorded when realized. Timing of cash payments has no bearing on either of these decisions.

Deleted: incurred

- 10 The materiality policy must be considered in the capital versus operating decision, since there are administrative costs associated with capitalizing and carrying an asset in the accounting records. NSPI uses different materiality levels for different classes of assets. Please refer to Section 1560 for a discussion of the concept of materiality. Appendix A to Section 1560 provides the current materiality guidelines with respect to capitalization.

- 11 Once the decision is made that an expenditure is capital, a work order should be raised and approved as part of the **Annual Capital Expenditure Plan** ("ACE Plan") or the Unknown and Unforeseen (U&U) process. All costs charged to capital work orders are included in the Power Plant System with the **Company Segment** of the **Accounting Flex field** equal to "2".³ Only these accounts will be capitalized and eventually transferred to property, plant and equipment.

Deleted: Oracle General Ledger

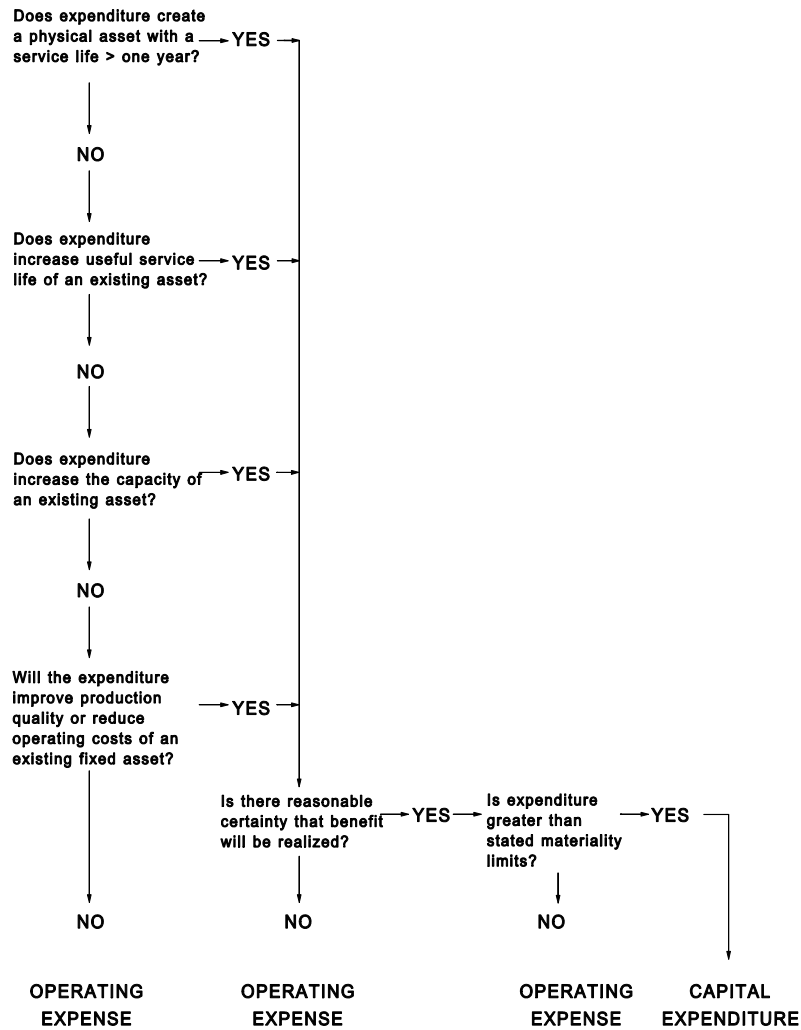
Deleted: 12 Expenditures that do not create a new asset or better an existing asset can still be tracked in the operating accounts (Company Segment equal to "1") by using accounts, activities and operating project numbers within a cost centre. However, these costs are charged to expense in the current period.[¶]

3 Refer to section 3100 for a detailed description of the general ledger account structure.

Deleted: August 10, 2006

12 The following decision tree will assist in determining whether an expenditure is capital or operating:

Deleted: 3



Deleted: August 10, 2006

DEFINITION

- 01 Cost is the amount of consideration (cash or other assets) given up to acquire, construct, develop, or better a capital asset and includes all costs directly attributable to the acquisition, construction, development or betterment of the capital asset including installing it at the location and in the condition necessary for its intended use.

POLICY

- 02 A capital asset should be recorded at cost.¹

Formatted: Font: Not Italic

PROCEDURES

- 03 The cost of a capital asset includes all expenditures necessary to place the asset in service. Therefore, cost not only includes the purchase price, but also other acquisition costs such as brokers' commissions, installation costs, architectural fees, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing, taxes and preparation charges.
- 04 For assets that are constructed over a long period of time, cost includes labour, materials, overheads and carrying costs incurred during construction. Carrying costs include an allowance for funds used during construction (AFUDC) and net revenue or expense derived from the asset before it is substantially complete.² For additional guidance on specific inclusions, please refer to Sections 6210, 6220, 6230, 6235 and 6240.
- 05 Capitalization of carrying costs ceases when a capital asset is substantially complete and ready for productive use. Determining when a capital asset, or a portion thereof, is substantially complete and ready for productive use requires consideration of the circumstances.
- 06 Capital assets acquired by NSPI which were previously devoted to public service are recorded at their original cost to the seller, less accumulated depreciation.

¹CICA Handbook, 3061.16.

²CICA Handbook, 3061.23.

COST COMPONENTS

Cost components represent examples of the types of major pieces of equipment included in each capital activity. They are created through detailed consultation with our asset builders and maintainers, and conform to FERC.

COST ELEMENTS

Cost elements are examples of the minor pieces of equipment or expenses included in the capital activities.

ACTIVITY DESCRIPTIONS**Land (001)****Cost Component**

Parcel

Land Rights (002)**Cost Components**

Diversion Rights

Rights of Way

Clearing

Cost Elements for both (001) and (002)

Appraisal costs prior to closing title
 Arbitrator, in the case of expropriation
 Bulkheads - buried and not requiring maintenance/replacement
 Clearing land for lines
 Condemnation proceedings including court and counsel costs
 Damages to and/or relocation of property of others
 Defence against any outstanding claims
 Expropriation fees including court costs
 Fees, commissions and salaries paid to others
 Initial cost of acquisition including mortgages, etc.
 Liens and leases assumed and/or voided
 Legal and notaries' fees including title searches
 Special assessments levied by public authorities for public improvements
 Rent on land when considered part of purchase
 Retaining walls unless identified with buildings
 Survey and engineering fees
 Taxes assumed to date of transfer of title
 Labour and expenses incurred by Company staff
 Net proceeds from the sale of timber, etc.
 Net proceeds from the sale of buildings
 Environmental Assessment

Buildings, Structures and Grounds (003)**Cost Components**

Airport (Heliport)	Fencing	Roads & Sidewalks
Bridges	Fire, Escape & Protection	Roof
Buildings– Superstructure	Foundation	Security Systems
Canals	HVAC	Water Supply System
Dams	Landscaping	Yard Lighting System
Docks & Wharves	Light & Power System	
Drainage & Sewer Sys.	Parking Lots	
Elevator, Crane or Hoist	Plant Cleaning System	
Excavation	Plumbing System	

Cost Elements

Air Conditioner Units	Fences	Permits
Alarms	Fill	Pickets
Architects Plans	Fire Escapes	Pipe
Backfill	Floors	Piping
Blowers	Flotation Devices	Platforms
Boilers	Flow Control Devices	Plugs
Booms	Framing	Plumbing
Braces	Furnaces	Posts
Breakers	Gates	Pumps
Building Inspections	Grading	Retaining Walls
Building Permits	Gratings	Roof
Bulkheads	Gravel	Shelves
Cables	Grounding	Siding
Ceilings	Gutters	Signs
Concrete	Handrails	Sods - First Time
Conduit	Heaters	Soil Stabilization
Controls	Hoists	Stairs
Coolers	Hoses	Switches
Counters	Insulation	Tanks
Cranes	Interior Finish	Tie Downs
Cribwork	Lighting	Timbers
Curbs	Lights	Tracks
Derricks	Linings	Trees & Shrubs-First Time
Doors	Motors	Ventilation
Elevators	Painting - First Time	Wall and Floor Finishes Wire
Excavation	Panels	Waterproofing First Time
Environmental remediation	Partitions	Windows
Fans	Paving - First Time	

Miscellaneous Equipment (004)**Cost Components**

Barge, Boat, etc.	Laboratory Equipment	Tools
Comm. Equipment	Miscellaneous Equipment	

Cost Elements

Public Address System	Glassware	Lathes
Measuring Device	Welders	

Capital Contributions (006)**Cost Components**

Cash
Assets

Environmental Equipment (007)**Cost Components**

Fish Ladders	Storage Devices
Measuring Devices	

Cost Elements

Concrete	Foundations	Pumps
Controls	Holding Tanks	
Enclosures	Meters	

Turbogenerator Installation (010) - [Steam](#)

Deleted:

Cost Components

Condensing & Cooling Water System	Turbine Plant Piping
Generator Cooling System	Turbogenerator
Instruments and Meters	Turbogenerator Oil System

Cost Elements

Accumulator	Gauges	Purifier
Blowers	Generator	Regulators
Concrete	Governor Control System	Screens
Controls	Heat Exchangers	Steel
Cooler	Meters	Tank
Ducts	Motors	Tubes
Excavation	Mounting Devices	Turbine
Exciter	Piping	Valves
Filter	Platforms	Wiring
Foundations	Pumps	

| **Turbine (024)- [Hydro](#)**

Deleted:

Cost Components

Control Valves - Butterfly	Governor	Scroll Case
Control Valves - Spherical	H.P. Air Supply	Seal System
Cooling System	Instruments & Meters	Turbine
Draft Tube	Lubricating System	
Foundation	Runner	

Cost Elements

Casing	Filters	Piping
Concrete	Lubricating Systems	Pumps
Controls	Meters Relays	
Cooler	Motors Rings	
Excavation	Mounting Devices	

| **Generator (025)- [Hydro](#)****Cost Components**

Cooling System	Lubricating System	Stator Frame
Excitation System	Rotor	Stator Windings
Foundations	Seal System	

Cost Elements

Coils	Motors	Valves
Controls	Mounting Devices	Wiring
Cooler	Pumps	
Exciter	Seals	
Filters	Tank	

Gas Turbine Engines (030)**Cost Components**

Combustion Equipment
Engine
Fire Ext. Equipment

Foundation
Generator
Stack

Starting System

Cost Elements

Air Ducts
Air Intake
Air Filter
Brackets
Brick

Cleanouts
Clutch
Compressor
Concrete
Controls

Cooling System
Detection System
Excavation
Exciter

Wind Generating Installation (031)**Cost Components**

Wind Turbine

Wind Turbine Aux.

Cost Elements

Controls
Foundations

Wiring

Boiler Instrumentation (011)**Cost Components**

Automatic Controls
Panels

Cost Elements

Data Loggers

Meters

Boiler (013)**Cost Components**

Boiler
Fuel Burning Equipment
Insulation

Package Boiler
Piping & Headers
Reheater

Soot Blower System
Superheater

Cost Elements

Baffles	Drums	Stokers
Blowdown System	Enclosures	Tubes
Burners	Grates	Valves
Desuperheater	Motors Water Walls	

Circulating Water System (014)**Cost Components**

Tanks	Clarifier
Demineralizer	Polishers

Cost Elements

Controls	Meters	Wiring
Foundations	Valves	

Wastewater Systems (015)**Cost Components**

Ponds	Treatment Equipment
Tanks	

Cost Elements

Excavation	Lining	Valves
Fencing	Motors	Wiring

Feedwater System (016)**Cost Components**

Deaerator	Feedwater Heaters	Pumps
Economizer	Feedwater Pipework	Tanks

Cost Elements

Brackets	Headers	Wiring
Controls	Motors	

Draft Equipment (017)**Cost Components**

Air Heater	Fly Ash Collection System	Stacks
Duct System	Precipitators	
Fans	Scrubbers	

Cost Elements

Formatted: Indent: First line: 36 pt

Breeching System	Heaters	Seals
Brick	Hoppers	Sprayers
Cleanouts	Insulation	Steel
Concrete	Ladders	Supports
Ducts	Liners	Tanks
Foundations	Motors	
Guys	Painting - First Time	

Fuel Handling - Coal (018)**Cost Components**

Bins or Bunkers	Fans	Track System
Car Dumper	Fuel Handling Structure	Tractor
Cars	Sampling System	Weighing Devices
Conveyor System	Separator	
Crusher		

Cost Elements

Architect's Plans	Foundations	Rails
Belts	Gates	Road Beds
Chutes	Hoppers	Screening System
Controls	Magnets	Switches
Dust Collectors	Measuring Devices	Ties
Elevators	Motors Wiring	
Filters	Painting - First Time	

Fuel Handling - Oil (019)**Cost Components**

Equipment Enclosure	Pumping System	Tanks
Equipment Foundation	Heating System	

Cost Elements

Concrete	Insulation	Pumps
Controls	Ladders	Signs
Excavation	Lining	Steel
Fencing	Measuring Devices	Valves
Gates	Meters Wiring	
Gravel	Painting - First Time	
Hangers	Piping	
Heaters	Platforms	

Fuel Handling - Limestone (020)**Cost Components**

Bins or Bunkers	Fans	Tractor
Car Dumper	Fuel Handling Structure	Weighing Devices
Cars	Sampling System	
Conveyor System	Separator	
Crusher	Track System	

Cost Elements

Architect's Plans	Foundations	Rails
Belts	Gates	Road Beds
Chutes	Hoppers	Screening System
Controls	Magnets	Switches
Dust Collectors	Measuring Devices	Ties
Elevators	Motors Wiring	
Filters	Painting - First Time	

Ash Handling Equipment (021)**Cost Components**

Ash Hopper	Fans	Removal System
Clinker Grinder	Ponds	Storage Bin
Conveyor System	Pumps	

Cost Elements

Belts	Foundations	Piping
Chutes	Hoppers	Slope Protection
Controls	Lining	Sluiceways
Excavation	Motors	Wiring
Fencing	Mounting Devices	

Electrical Control Equipment (022)**Cost Components**

Air Compressor	Data Acquisition System	Telemetry System
Cable System	Fire Protection System	

Cost Elements

Alarms	Data Logger	Protection Equipment
Annunciator	Fault Recorder	Receivers
Cable	Junction Boxes	Recorders
Clamps	Ladders	Relays
Computers	Meters	Transmitters
Control Cables	Panels	
Controls	Piping	

Conversion Equipment (023)**Cost Components**

Aux. Generator Set	Grounding System	Station Ser. Transformer
Battery System	Lightning Protection System	Unit Transformer
Bus and Wiring	Other Switchgear	
Generator Transformer	Panels	

Cost Elements

Arresters	Cooling Systems	Mechanical Devices
Battery Charger	Electrical Devices	Meters
Battery	Fans	Piping
Breakers	Fencing	Platforms
Cables	Foundations	SF6 Switches
Clamps	Ground Rods	

Roads, Trails and Bridges (026)**Cost Components**

Road or Trail	Bridge
Tunnels	

Cost Elements

Bridges	Flooring	Piers
Clearing	Foundations	Steel
Concrete	Gates	Surfacing
Culverts	Girders	Trusses
Fences	Grading	
Fill	Gravel	

Waterways (027)**Cost Components**

Canals	Penstock - Wood	Surge Tank - Frost Casing
Fencing	Penstock - Concrete	Surge Tank - Shell
Fish Ladder and Devices	Penstock - Fibreglass	Tailrace
Penstock - Fibreglass	Penstock - Steel	Tunnels

Cost Elements

Braces	Ladders	Signs
Drainage Systems	Lighting	Slope Protection
Drains	Linings	Supporting Structures
Embankments	Monitoring Equipment	Valves
Excavation	Pipe	Wire
Expansion Joints	Reinforcing Material	
Gates	Riprap	

Dams and Spillways (028)**Cost Components**

Bypass Pipe	Gate	Storage Dyke
Bypass Valve	Gate Hoist & Controls	Storage Dams
Bypass Structure	Intake Dam	Superstructure
Control Structure	Spillway Dam	Trash Rack
Diversion Dam	Stoplogs	

Cost Elements

Aprons	Elevating Devices	Racks
Bridges	Excavation	Slope Protection
Concrete	Fill	Steel
Control Equipment	Foundation	Tainter Gates
Culverts	Motors Valves	
Discharge Channels	Pipe	

Land Drainage (029)**Cost Components**

Aboiteau
Pump

Cost Elements

Electrical Equipment	Foundations
Excavation	

District Heating & Cooling (032)**Cost Components**

Heat Exchangers

Water Piping

Cost Elements

Brackets

Gaskets

Piping

Foundations

Hangers

Wooden Poles (035)**Cost Components**

Wooden Poles - Treated

Wooden Poles - Untreated

Cost Elements

Anchors

Epoxy Rods

Permits

Backfill

Excavation

Poles

Braces

Guards

Strain Insulators

Brackets

Guys

Suspension Bolts

Crossarms

Insulator Pins

Other Poles (036)**Cost Components**

Concrete Poles

Cost Elements

Anchors

Epoxy Rods

Permits

Backfill

Excavation

Poles

Braces

Guards

Strain Insulators

Brackets

Guys

Suspension Bolts

Crossarms

Insulator Pins

Steel Towers (037)**Cost Components**

Steel Towers

Cost Elements

Anchors	Epoxy Rods	Permits
Backfill	Excavation	Strain Insulators
Braces	Guards	Suspension Bolts
Brackets	Guys	
Crossarms	Insulator Pins	

Insulators (038)**Cost Components**

Insulators

Cost Elements

Clamps
 Pins (if Permanently Attached)
 Ties

Overhead Conductor (039)**Cost Components**

Conductor

Cost Elements

Conductors	Dead Ends	Splices
Connections	Jumpers	

Overhead Conductor Devices (040)**Cost Components**

Circuit Breaker	Lightning Arresters	Reclosers and Cutouts
Grounding Systems	Line Switches	

Cost Elements

Arresters	Connectors	Ties
Brackets	Ground Rods	Wiring
Clamps	Mounting Devices	

Overhead Transformers (041)**Cost Components**

Transformer

Cost ElementsMounting Brackets
PadsTransformers
Wiring**Overhead Transformer Devices (042)****Cost Components**Autoboosters
Lightning ArrestersCapacitor
CutoutsLine Switches
Voltage Regulator**Cost Elements**Bolts
Mounting DevicesBrackets
Wiring

Connectors

Substation Devices (043)**Cost Components**Air Compressor
Batteries
Battery Charging Set
Buildings - Superstructure
Bus System
Cable or Conductor
Capacitor Bank
Compressor in Structure
Computer Equipment
Conduit System
Control Installation
Drainage & Sewer Sys.
Elev., Crane, Hoist, etc.
Equipment EnclosuresFans, Blowers
Fault Recorder
Fencing
Fire Protection System
Foundations - Equipment
Frequency Control System
Fuse Equipment
Grounding System
Insulators
Lighting System
Lightning Arrester
Manhole
Meter
Miscellaneous EquipmentPanels
Reactor or Resistor
Support Structure
Switches
Switchgear SF6
Switchgear Metalclad
Tanks
Telemetry Equipment
Testing Equipment
Thyristor Valve
Ventilating Equipment
Voltage Regulator**Cost Elements**Adapters
Backfill
Bolts
Brackets
Cabinets
Clamps
Concrete
Duct SystemsExcavation
Filters
Foundations
Gravel
Ground Rods
Inspections
Ladders
MotorsPainting - First Time
Permits
Piping
Protective Equipment
Racks
Signs
Tanks

Substation Transformers (044)**Cost Components**

Transformers

Cost Elements

Mounting Brackets

Underground Conduit (045)**Cost Components**Conduit
Lighting Systems
ManholeManhole
TunnelsVault
Ventilating Equipment**Cost Elements**Backfill
Concrete
Connectors
Controls
Covers
DrainsExcavation
Fans
Fixtures
Foundations
Grates
GravelLadders
Motors
Pumps
Wires**Underground Conductors (046)****Cost Components**Cable - Buried
Cable - In Conduit

Cable - Submarine

Cost ElementsConductors
ConnectionsDead Ends
Jumpers

Splices

Underground Conductor Devices (047)**Cost Components**Circuit Breaker
InsulatorsLightning Arresters
Line SwitchesPump House
Pumping Equipment

Cost Elements

Arresters	Connectors	Ties
Brackets	Ground Rods	Wiring
Clamps	Mounting Devices	

Underground Transformers (048)**Cost Components**

Transformers

Cost Elements

Mounting Brackets	Transformers
Pads	Wiring

Underground Transformer Devices (049)**Cost Components**

Capacitor	Lightning Arresters	Vault
Cutouts	Line Switches	Voltage Regulator

Cost Elements

Bolts	Connectors	Mounting Devices
Brackets	Excavation	Wiring

Street Lighting (050)**Cost Components**

Conductor	Luminating Device	Transformer
Control Equipment	Posts & Standards	

Cost Elements

Dead Ends	Mounting Devices	Timing Devices
Luminaire	Relays Transformer	

Meters (051)**Cost Components**

Instrument Transformers	Meters - Energy
Meters - Demand	

Cost Elements

Current Transformers	Metering Tanks
Fittings	Protective Devices
Potential Transformers	Relays

Services (052)**Cost Components**

Overhead Service	Underground Service
------------------	---------------------

Cost Elements

Conductor	Dead Ends
Insulators	

Microwave Equipment (060)**Cost Components**

Antenna and Support	Structures
Motor Generator Set	Terminal Station

Cost Elements

Foundations	Monitoring Equipment	Supports
Guys	Structures	

Telephone System (061)**Cost Components**

Network
Phones

Cost Elements

Connections	Wiring
Panels	

Fibre Optics (062)**Cost Components**

Wire

Cost Elements

Connectors
Splice Enclosures

Mobile Radios (063)**Cost Components**

Antenna
Receivers

Transmitters

Cost Elements

Auxiliary Power Supply
Batteries
Foundations

Grounding Systems
Guys
Mounting Devices

Supports
Wiring

SCADA Equipment (064)**Cost Components**

Master Station
Remote Terminal Units

Cost Elements

Wiring
Terminals

Transportation Vehicles (065)**Cost Components**

Automobiles
Pickups and Vans

Four Wheel Drives

Cost Elements

Permits - First Time
Sign Painting - First Time

Work Vehicles (066)**Cost Components**

All Terrain Vehicles	Compressors	Service Trucks
Bombardiers and Tractors	Digger Trucks	Stake and Dump Trucks
Brush Chippers	Forklifts	Trailers
Bucket Trucks	Helicopters	
Caterpillars	Loaders and Backhoes	

Cost Elements

Aerial Devices	Digger Equipment	Permits - First Time
Bodies	Dump Bodies	Tracks
Chassis	Hydraulics	
Compartments	Painting - First Time	

Office Equipment (067)**Cost Component**

Duplicating Equipment	Microfilm, Microfiche	Printing Equipment
Mailing Equipment	Miscellaneous Equipment	

Office Furniture - General (068)**Cost Components**

Bookcases	Desks	Tables
Cabinets	Dividers	
Chairs	Drafting Tables	

Cost Elements

Coffee Credenzas	Supports
Filing Cabinets	Tables

Office Furniture - Modular (069)**Cost Components**

Chairs	Dividers
Desk Units	Tables

Shop Equipment (070)

Cost Components

Air Compressor	Grinders	Pipe Threading Machine
Drill Press	Hoists	Saws
Furnaces	Lathe	Welders
Gas & Oil Tanks & Pumps	Motors	

Cost Elements

Accessories	Miscellaneous Tools	Pumps
Carrying Devices	Mounting Devices	Wiring
Meters Panels		

Leasehold Improvements (071)

Cost Components

Leasehold Improvements
Leases

Cost Elements

Contract Costs	Mechanical	Security	Deleted: cial
Electrical	Materials		

Computer Equipment (072)

Cost Components

Mainframe & Mini Comp.	Personal Computers
Misc. Comp. Equip.	Word Processing Equipment

Cost Elements

Communication Devices	Miscellaneous Equipment	Processors
Data Input Devices	Other Storage Devices	Tape Storage Devices
Disk Storage Devices	Plotters	Terminals
LANS	Portable Meter Reading Equip.	
Main Configuration	Printers	

Laboratory Equipment (073)

Cost Components

Chemical Testing Equipment	Meter Testing Equipment	Transformer Testing Equipment
Electrical Testing Equipment	Miscellaneous Equipment	

Cost Elements

Controls	Panels
Meters	Wiring

Stores Equipment (074)**Cost Components**

Counters & Shelves	Hand & Power Driven Trucks
Elev & Stack. Equip.	Storage Bins

Cost Elements

Mounting Devices

Purchase Price Difference (080)**Cost Components**

Pur. Diff – Kentville	Pur. Diff – LM6000
-----------------------	--------------------

Non-Utility Property (081)**Cost Components**

Land	Other Intangibles
Other	Royalties, etc.

Cost Elements

Legal Fees	Surveying
Other Fees	

Coal Pier (082)**Cost Components**

Buildings	Conveyor System	Hoppers
Concrete	E-crane	Pier
Control		

Cost Elements

Belts	Filters	Motors, Wiring
Controls	Hoppers	
Foundations	Measuring devices	

COST COMPONENTS

Cost components represent examples of the types of major pieces of equipment included in each capital activity. They are created through detailed consultation with our asset builders and maintainers, and conform to FERC.

COST ELEMENTS

Cost elements are examples of the minor pieces of equipment or expenses included in the capital activities.

ACTIVITY DESCRIPTIONS**Land (001)****Cost Component**

Parcel

Land Rights (002)**Cost Components**

Diversion Rights

Rights of Way

Clearing

Cost Elements for both (001) and (002)

Appraisal costs prior to closing title.
 Arbitrator, in the case of expropriation.
 Bulkheads - buried and not requiring maintenance/replacement.
 Clearing land for lines
 Condemnation proceedings including court and counsel costs.
 Damages to and/or relocation of property of others.
 Defence against any outstanding claims.
 Expropriation fees including court costs.
 Fees, commissions and salaries paid to others.
 Initial cost of acquisition including mortgages, etc.
 Liens and leases assumed and/or voided.
 Legal and notaries' fees including title searches.
 Special assessments levied by public authorities for public improvements
 Rent on land when considered part of purchase.
 Retaining walls unless identified with buildings.
 Survey and engineering fees.
 Taxes assumed to date of transfer of title.
 Labour and expenses incurred by Company staff.

Deleted: -----Page Break-----

Deleted: August 10, 2006

Net proceeds from the sale of timber, etc.
 Net proceeds from the sale of buildings.
 Environmental Assessment

Buildings, Structures and Grounds (003)**Cost Components**

Deleted: .

Airport (Heliport)	Excavation	Plant Cleaning System
Bridges	Fencing	Plumbing System
Buildings-- Superstructure	Fire Escape & Protection	Roads & Sidewalks
Canals	Foundation	Roof
Dams	HVAC	Security Systems
Docks & Wharves	Landscaping	Water Supply System
Drainage & Sewer Sys.	Light & Power System	Yard Lighting System
Elevator, Crane or Hoist	Parking Lots	

Cost Elements

Deleted: .

Formatted: Left: 72 pt, Right: 72 pt, Col #1 width: 132 pt, Col #1 spacing: 36 pt, Col #2 width: 132 pt, Col #2 spacing: 36 pt

Air Conditioner Units	Environmental remediation	Painting - First Time
Alarms	Fans	Panels
Architects Plans	Fences	Partitions
Backfill	Fill	Paving - First Time
Blowers	Fire Escapes	Permits
Boilers	Floors	Pickets
Booms	Flotation Devices	Pipe
Braces	Flow Control Devices	Piping
Breakers	Framing	Platforms
Building Inspections	Furnaces	Plugs
Building Permits	Gates	Plumbing
Bulkheads	Grading	Posts
Cables	Gratings	Pumps
Ceilings	Gravel	Retaining Walls
Concrete	Grounding	Roof
Conduit	Gutters	Shelves
Controls	Handrails	Siding
Coolers	Heaters	Signs
Counters	Hoists	Sods - First Time
Cranes	Hoses	Soil Stabilization
Cribwork	Insulation	Stairs
Curbs	Interior Finish	Switches
Derricks	Lighting	Tanks
Doors	Lights	Tie Downs
Elevators	Linings	<u>Timbers</u>
Excavation	Motors	<u>Tracks</u>

Deleted: .

Deleted: ¶

Deleted: August 10, 2006

Trees & Shrubs - First Time
Ventilation
Wall and Floor Finishes Wire

Waterproofing First Time
Windows

Formatted: Indent: Left: 0 pt, First line: 0 pt

Deleted: . Timbers¶
 . Tracks . ¶
 Trees & Shrubs - First

Deleted: ¶

Deleted: Time¶
 Ventilation¶
 Wall and Floor Finishes . ¶
 Wire¶
 Waterproofing First Time¶
 Windows¶
 ¶
 [NTD: After I fixed the list I can't get it to format correctly]

Deleted: . .

Miscellaneous Equipment (004)

Cost Components

Barge, Boat, etc.
 Comm. Equipment

Laboratory Equipment
 Miscellaneous Equipment

Tools

Cost Elements

Public Address System
 Measuring Device

Glassware
 Welders

Lathes

Capital Contributions (006)

Cost Components

Cash
 Assets

Environmental Equipment (007)

Cost Components

Fish Ladders
 Measuring Devices

Storage Devices

Cost Elements

Concrete
 Controls
 Enclosures

Foundations
 Holding Tanks
 Meters

Pumps

Turbogenerator Installation (010) - Steam

Deleted:

Cost Components

Condensing & Cooling Water System
 Generator Cooling System
 Instruments and Meters

Turbine Plant Piping
 Turbogenerator
 Turbogenerator Oil System

Deleted: August 10, 2006

Cost Elements

Accumulator	Gauges	Purifier
Blowers	Generator	Regulators
Concrete	Governor Control System	Screens
Controls	Heat Exchangers	Steel
Cooler	Meters	Tank
Ducts	Motors	Tubes
Excavation	Mounting Devices	Turbine
Exciter	Piping	Valves
Filter	Platforms	Wiring
Foundations	Pumps	

Turbine (024) - Hydro**Cost Components**

Control Valves - Butterfly	Governor	Scroll Case
Control Valves - Spherical	H.P. Air Supply	Seal System
Cooling System	Instruments & Meters	Turbine
Draft Tube	Lubricating System	
Foundation	Runner	

Deleted: .

Cost Elements

Casing	Filters	Piping
Concrete	Lubricating Systems	Pumps
Controls	Meters Relays	
Cooler	Motors Rings	
Excavation	Mounting Devices	

Deleted: .

Generator (025) - Hydro**Cost Components**

Cooling System	Lubricating System	Stator Frame
Excitation System	Rotor	Stator Windings
Foundations	Seal System	

Cost Elements

Coils	Motors	Valves
Controls	Mounting Devices	Wiring

Deleted: -----Page Break-----

Deleted: August 10, 2006

Cooler
Exciter
Filters

Pumps
Seals
Tank

Gas Turbine Engines (030)**Cost Components**

Combustion Equipment
Engine
Fire Ext. Equipment

Foundation
Generator
Stack

Starting System

Cost Elements

Air Ducts
Air Intake
Air Filter
Brackets
Brick

Cleanouts
Clutch
Compressor
Concrete
Controls

Cooling System
Detection System
Excavation
Exciter

Wind Generating Installation (031)**Cost Components**

Wind Turbine

Wind Turbine Aux.

Cost Elements

Controls
Foundations

Wiring

Boiler Instrumentation (011)**Cost Components**

Automatic Controls
Panels

Cost Elements

Data Loggers

Meters

Deleted: -----Page Break-----

Boiler (013)

Deleted: August 10, 2006

Cost ComponentsBoiler
Fuel Burning Equipment
InsulationPackage Boiler
Piping & Headers
ReheaterSoot Blower System
Superheater**Cost Elements**Baffles
Blowdown System
Burners
DesuperheaterDrums
Enclosures
Grates
Motors Water WallsStokers
Tubes
Valves**Circulating Water System (014)****Cost Components**Tanks
DemineralizerClarifier
Polishers**Cost Elements**Controls
FoundationsMeters
Valves

Wiring

Wastewater Systems (015)**Cost Components**Ponds
Tanks

Treatment Equipment

Cost ElementsExcavation
FencingLining
MotorsValves
Wiring**Feedwater System (016)****Cost Components**Deaerator
EconomizerFeedwater Heaters
Feedwater PipeworkPumps
Tanks

Deleted: -----Page Break-----

Deleted: August 10, 2006

Cost ElementsBrackets
ControlsHeaders
Motors

Wiring

Draft Equipment (017)**Cost Components**Air Heater
Duct System
FansFly Ash Collection System
Precipitators
Scrubbers

Stacks

Cost ElementsBreeching System
Brick
Cleanouts
Concrete
Ducts
Foundations
GuysHeaters
Hoppers
Insulation
Ladders
Liners
Motors
Painting - First TimeSeals
Sprayers
Steel
Supports
Tanks**Fuel Handling - Coal (018)****Cost Components**Bins or Bunkers
Car Dumper
Cars
Conveyor System
CrusherFans
Fuel Handling Structure
Sampling System
SeparatorTrack System
Tractor
Weighing Devices**Cost Elements**Architect's Plans
Belts
Chutes
Controls
Dust Collectors
Elevators
FiltersFoundations
Gates
Hoppers
Magnets
Measuring Devices
Motors Wiring
Painting - First TimeRails
Road Beds
Screening System
Switches
Ties

Deleted: Page Break

Fuel Handling - Oil (019)

Deleted: August 10, 2006

Cost ComponentsEquipment Enclosure
Equipment FoundationPumping System
Heating System

Tanks

Cost ElementsConcrete
Controls
Excavation
Fencing
Gates
Gravel
Hangers
HeatersInsulation
Ladders
Lining
Measuring Devices
Meters Wiring
Painting - First Time
Piping
PlatformsPumps
Signs
Steel
Valves**Fuel Handling - Limestone (020)****Cost Components**Bins or Bunkers
Car Dumper
Cars
Conveyor System
CrusherFans
Fuel Handling Structure
Sampling System
Separator
Track SystemTractor
Weighing Devices**Cost Elements**Architect's Plans
Belts
Chutes
Controls
Dust Collectors
Elevators
FiltersFoundations
Gates
Hoppers
Magnets
Measuring Devices
Motors Wiring
Painting - First TimeRails
Road Beds
Screening System
Switches
Ties

Deleted: 1

Page Break

Ash Handling Equipment (021)**Cost Components**Ash Hopper
Clinker Grinder
Conveyor SystemFans
Ponds
PumpsRemoval System
Storage Bin

Deleted: August 10, 2006

Cost Elements

Belts	Foundations	Piping
Chutes	Hoppers	Slope Protection
Controls	Lining	Sluiceways
Excavation	Motors	Wiring
Fencing	Mounting Devices	

Electrical Control Equipment (022)**Cost Components**

Air Compressor	Data Acquisition System	Telemetry System
Cable System	Fire Protection System	

Cost Elements

Alarms	Data Logger	Protection Equipment
Annunciator	Fault Recorder	Receivers
Cable	Junction Boxes	Recorders
Clamps	Ladders	Relays
Computers	Meters	Transmitters
Control Cables	Panels	
Controls	Piping	

Conversion Equipment (023)

Deleted: -----Page Break-----

Cost Components

Aux. Generator Set	Grounding System	Station Ser. Transformer
Battery System	Lightning Protection System	Unit Transformer
Bus and Wiring	Other Switchgear	
Generator Transformer	Panels	

Cost Elements

Arresters	Cooling Systems	Mechanical Devices
Battery Charger	Electrical Devices	Meters
Battery	Fans	Piping
Breakers	Fencing	Platforms
Cables	Foundations	SF6 Switches
Clamps	Ground Rods	

Roads, Trails and Bridges (026)

Deleted: August 10, 2006

Cost ComponentsRoad or Trail
Tunnels

Bridge

Cost ElementsBridges
Clearing
Concrete
Culverts
Fences
FillFlooring
Foundations
Gates
Girders
Grading
GravelPiers
Steel
Surfacing
Trusses**Waterways (027)****Cost Components**Canals
Fencing
Fish Ladder and Devices
Penstock - FibreglassPenstock - Wood
Penstock - Concrete
Penstock - Fibreglass
Penstock - SteelSurge Tank - Frost Casing
Surge Tank - Shell
Tailrace
Tunnels**Cost Elements**Braces
Drainage Systems
Drains
Embankments
Excavation
Expansion Joints
GatesLadders
Lighting
Linings
Monitoring Equipment
Pipe
Reinforcing Material
RiprapSigns
Slope Protection
Supporting Structures
Valves
Wire

Deleted: Page Break.....

Dams and Spillways (028)**Cost Components**Bypass Pipe
Bypass Valve
Bypass Structure
Control Structure
Diversion DamGate
Gate Hoist & Controls
Intake Dam
Spillway Dam
StoplogsStorage Dyke
Storage Dams
Superstructure
Trash Rack**Cost Elements**

Deleted: August 10, 2006

Aprons
Bridges
Concrete
Control Equipment
Culverts
Discharge Channels

Elevating Devices
Excavation
Fill
Foundation
Motors Valves
Pipe

Racks
Slope Protection
Steel
Tainter Gates

Land Drainage (029)**Cost Components**

Aboiteau
Pump

Cost Elements

Electrical Equipment
Excavation

Foundations

District Heating & Cooling (032)

Deleted: Page Break

Cost Components

Heat Exchangers

Water Piping

Cost Elements

Brackets
Foundations

Gaskets
Hangers

Piping

Wooden Poles (035)**Cost Components**

Wooden Poles - Treated
Wooden Poles - Untreated

Cost Elements

Anchors
Backfill
Braces
Brackets
Crossarms

Epoxy Rods
Excavation
Guards
Guys
Insulator Pins

Permits
Poles
Strain Insulators
Suspension Bolts

Deleted: August 10, 2006

Other Poles (036)

Cost Components

Concrete Poles

Cost Elements

Anchors
Backfill
Braces
Brackets
Crossarms

Epoxy Rods
Excavation
Guards
Guys
Insulator Pins

Permits
Poles
Strain Insulators
Suspension Bolts

Steel Towers (037)

Deleted: ¶

Page Break

Cost Components

Steel Towers

Cost Elements

Anchors
Backfill
Braces
Brackets
Crossarms

Epoxy Rods
Excavation
Guards
Guys
Insulator Pins

Permits
Strain Insulators
Suspension Bolts

Insulators (038)

Cost Components

Insulators

Cost Elements

Clamps
Pins (if Permanently Attached)
Ties

Overhead Conductor (039)

Deleted: August 10, 2006

Cost Components

Conductor

Cost Elements

Conductors
Connections

Dead Ends
Jumpers

Splices

Overhead Conductor Devices (040)

Cost Components

Circuit Breaker
Grounding Systems

Lightning Arresters
Line Switches

Reclosers and Cutouts

Cost Elements

Arresters
Brackets
Clamps

Connectors
Ground Rods
Mounting Devices

Ties
Wiring

Deleted: -----Page Break-----

Overhead Transformers (041)

Cost Components

Transformer

Cost Elements

Mounting Brackets
Pads

Transformers
Wiring

Overhead Transformer Devices (042)

Cost Components

Autoboosters
Lightning Arresters

Capacitor
Cutouts

Line Switches
Voltage Regulator

Cost Elements

Bolts

Brackets

Connectors

Deleted: August 10, 2006

Mounting Devices

Wiring

Substation Devices (043)

Deleted: ¶

Page Break

Cost Components

Air Compressor
Batteries
Battery Charging Set
Buildings - Superstructure
Bus System
Cable or Conductor
Capacitor Bank
Compressor in Structure
Computer Equipment
Conduit System
Control Installation
Drainage & Sewer Sys.
Elev., Crane, Hoist, etc.
Equipment Enclosures

Fans, Blowers
Fault Recorder
Fencing
Fire Protection System
Foundations - Equipment
Frequency Control System
Fuse Equipment
Grounding System
Insulators
Lighting System
Lightning Arrester
Manhole
Meter
Miscellaneous Equipment

Panels
Reactor or Resistor
Support Structure
Switches
Switchgear SF6
Switchgear Metalclad
Tanks
Telemetry Equipment
Testing Equipment
Thyristor Valve
Ventilating Equipment
Voltage Regulator

Cost Elements

Adapters
Backfill
Bolts
Brackets
Cabinets
Clamps
Concrete
Duct Systems

Excavation
Filters
Foundations
Gravel
Ground Rods
Inspections
Ladders
Motors

Painting - First Time
Permits
Piping
Protective Equipment
Racks
Signs
Tanks

Substation Transformers (044)

Cost Components

Transformers

Cost Elements

Mounting Brackets

Deleted: August 10, 2006

Underground Conduit (045)

Deleted: -----Page Break-----

Cost Components

Conduit
Lighting Systems
Manhole

Manhole
Tunnels

Vault
Ventilating Equipment

Cost Elements

Backfill
Concrete
Connectors
Controls
Covers
Drains

Excavation
Fans
Fixtures
Foundations
Grates
Gravel

Ladders
Motors
Pumps
Wires

Underground Conductors (046)

Cost Components

Cable - Buried
Cable - In Conduit

Cable - Submarine

Cost Elements

Conductors
Connections

Dead Ends
Jumpers

Splices

Underground Conductor Devices (047)

Cost Components

Circuit Breaker
Insulators

Lightning Arresters
Line Switches

Pump House
Pumping Equipment

Cost Elements

Arresters

Connectors

Ties

Deleted: August 10, 2006

Brackets
Clamps

Ground Rods
Mounting Devices

Wiring

Underground Transformers (048)**Cost Components**

Transformers

Cost Elements

Mounting Brackets
Pads

Transformers
Wiring

Underground Transformer Devices (049)**Cost Components**

Capacitor
Cutouts

Lightning Arresters
Line Switches

Vault
Voltage Regulator

Cost Elements

Bolts
Brackets

Connectors
Excavation

Mounting Devices
Wiring

Street Lighting (050)**Cost Components**

Conductor
Control Equipment

Luminating Device
Posts & Standards

Transformer

Cost Elements

Dead Ends
Luminaire

Mounting Devices
Relays Transformer

Timing Devices

Meters (051)**Cost Components**

Instrument Transformers

Meters - Energy

Deleted: August 10, 2006

Meters - Demand

Cost Elements

Current Transformers	Metering Tanks
Fittings	Protective Devices
Potential Transformers	Relays

Services (052)

Cost Components

Overhead Service	Underground Service
------------------	---------------------

Cost Elements

Conductor	Dead Ends
Insulators	

Microwave Equipment (060)

Cost Components

Antenna and Support	Structures
Motor Generator Set	Terminal Station

Cost Elements

Foundations	Monitoring Equipment	Supports
Guys	Structures	

Telephone System (061)

Cost Components

Network
Phones

Cost Elements

Connections	Wiring
-------------	--------

Deleted: August 10, 2006

Panels

Fibre Optics (062)

Cost Components

Wire

Cost Elements

Connectors
Splice Enclosures

Mobile Radios (063)

Cost Components

Antenna
Receivers

Transmitters

Cost Elements

Auxiliary Power Supply
Batteries
Foundations

Grounding Systems
Guys
Mounting Devices

Supports
Wiring

SCADA Equipment (064)

Cost Components

Master Station
Remote Terminal Units

Cost Elements

Wiring
Terminals

Transportation Vehicles (065)

Cost Components

Automobiles

Four Wheel Drives

Deleted: August 10, 2006

Pickups and Vans

Cost Elements

Permits - First Time
Sign Painting - First Time

Work Vehicles (066)

Cost Components

All Terrain Vehicles	Compressors	Service Trucks
Bombardiers and Tractors	Digger Trucks	Stake and Dump Trucks
Brush Chippers	Forklifts	Trailers
Bucket Trucks	Helicopters	
Caterpillars	Loaders and Backhoes	

Cost Elements

Aerial Devices	Digger Equipment	Permits - First Time
Bodies	Dump Bodies	Tracks
Chassis	Hydraulics	
Compartments	Painting - First Time	

Deleted: ¶
¶

Office Equipment (067)

Cost Component

Duplicating Equipment	Mircofilm, Microfiche	Printing Equipment
Mailing Equipment	Miscellaneous Equipment	

Deleted: ¶
=====Section Break (Continuous)=====
Duplicating Equipment¶
Mailing Equipment¶
Microfilm, Microfiche¶
Miscellaneous Equipment¶
Printing Equipment¶
¶
=====Section Break (Continuous)=====
¶

Office Furniture - General (068)

Cost Components

Bookcases	Desks	Tables
Cabinets	Dividers	
Chairs	Drafting Tables	

Cost Elements

Deleted: August 10, 2006

Coffee Credenzas
Filing Cabinets

Supports
Tables

Office Furniture - Modular (069)

Deleted: Page Break

Cost Components

Chairs
Desk Units

Dividers
Tables

Shop Equipment (070)

Cost Components

Air Compressor
Drill Press
Furnaces
Gas & Oil Tanks & Pumps

Grinders
Hoists
Lathe
Motors

Pipe Threading Machine
Saws
Welders

Cost Elements

Accessories
Carrying Devices
Meters Panels

Miscellaneous Tools
Mounting Devices

Pumps
Wiring

Leasehold Improvements (071)

Cost Components

Leasehold Improvements
Leases

Cost Elements

Contract Costs
Electrical
~~Mechanical~~
Materials
Security

Deleted: Mechancial

Deleted: ¶

Deleted: August 10, 2006

~~December 31, 2009~~

Computer Equipment (072)

Cost Components

Mainframe & Mini Comp.	Personal Computers
Misc. Comp. Equip.	Word Processing Equipment

Deleted:

Cost Elements

Communication Devices	Miscellaneous Equipment	Processors
Data Input Devices	Other Storage Devices	Tape Storage Devices
Disk Storage Devices	Plotters	Terminals
LANs	Portable Meter Reading Equip.	
Main Configuration	Printers	

Deleted: Page Break

Laboratory Equipment (073)

Cost Components

Chemical Testing Equipment	Meter Testing Equipment	Transformer Testing Equipment
Electrical Testing Equipment	Miscellaneous Equipment	

Cost Elements

Controls	Panels
Meters	Wiring

Stores Equipment (074)

Cost Components

Counters & Shelves	Hand & Power Driven Trucks
Elev & Stack. Equip.	Storage Bins

Cost Elements

Mounting Devices

Purchase Price Difference (080)

Cost Components

Pur. Diff – Kentville	Pur. Diff – LM6000
-----------------------	--------------------

Deleted: August 10, 2006

Non-Utility Property (081)

Cost Components

Land	Other Intangibles
Other	Royalties, etc.

Cost Elements

Legal Fees	Surveying
Other Fees	

Coal Pier (082)

Cost Components

Buildings	Conveyor System	Hoppers
Concrete	E-crane	Pier
Control		

Cost Elements

Belts	Filters	Motors, Wiring
Controls	Hoppers	
Foundations	Measuring devices	

Deleted: August 10, 2006

GENERAL

- 01 The construction work in progress ("CWIP") accounts contain all work orders relating to assets that are under construction, but not placed in service. These accounts also include retirements in progress. The work order is the major item in the system and acts as a focus for control and processing of data, as well as the link back to the budget process.

| WORK ORDER PROCESS

Deleted: ¶

- 02 The following steps portray the capital asset cycle at NSPI.

- a. Prepare budget item and enter into [Power Plant \(PP\)](#) as a Capital Item (CI);
- b. Review and revise [the](#) CI item [\(if necessary\)](#);
- c. Approval by Investment Review Team (IRT) of CI for inclusion in Annual Capital Expenditure (ACE) Plan;
- d. Internal approval of CI in [PP](#) if project is under \$1 million and part of the ACE plan;
- e. Activate CI in [PP](#) to generate a Work Order number;
- f. If the project is over \$1 million or not part of the ACE plan, IRT will review and revise the CI before submitting to the Utility And Review Board (UARB);
- g. Approval of CI by UARB;
- h. Activate CI in [PP](#) to generate a Work Order number;
- i. Set up [the](#) capital work order in CWIP;
- j. Summarize and control charges;
- k. Change status of work order from CWIP to Operational (OPS) when asset [goes in service and](#) is being used to generate revenue;
- l. Final cost and close [the work order](#) to property plant and equipment (PPE) after review when project is complete and within tolerance of 5% and \$25,000 of activated amount. If the project spend is over the tolerance, an authorization to overspend (ATO) is required prior to final cost and close to PPE;
- m. Depreciate [PPE item](#); and

Deleted: Capital Management System

Deleted: CMS

Deleted: (if necessary)

Deleted: CMS

Deleted: CMS

Deleted: ;

Deleted: CMS

Deleted:

Deleted: August 10, 2006

n. Retire item through retirement capital work order.

Deleted: .

Deleted:

Deleted: August 10, 2006

GENERAL

- 01 Unlike most capital assets, land generally does not lose value over time. It is therefore, considered to have an infinite life and is not depreciated. Land must be isolated from depreciable capital assets in the financial records from the time that it is included with plant in service.

Deleted: T

Deleted: it is

POLICY

- 02 The cost of land must be accounted for separately from other capital assets due to its unique life characteristics.

PROCEDURES

- 03 The following are costs which must be considered in determining the total value of a land purchase:

- a. Purchase price;
- b. Appraisal fees;
- c. Survey costs;
- d. Legal fees;
- e. Transfer taxes;
- f. Purchasing agent's commission;
- g. Examination & registration of title;
- h. Taxes accrued to date of transfer;
- i. Net cost or proceeds from the removal of marketable timber;
- j. Construction overheads;
- k. Removal of old buildings; and
- l. Environmental assessment costs.

- 04 Land is acquired through a capital work order in the same manner as other capital assets, but in many cases, land is only a portion of the work order for an associated project. The journal entry to charge land to a capital work order is:

DR 2-012-001-XXX-XXXX Materials
CR 1-300-000-000-0000 Cash or Payable

Deleted: , including costs,

Deleted: XXXX

Deleted: .

Deleted: XXXX

Deleted: 05 . Please refer to Section 6000 for guidance on determining whether an expenditure is capital or operational.

Deleted: August 10, 2006

CAPITAL EXPENDITURES - COMPUTER HARDWARE, SOFTWARE AND TELECOMMUNICATIONS EQUIPMENT - 6215



POLICY,

- 01 Purchases of computer hardware and software with a cost in excess of the amount prescribed in Section 1560A should be capitalized.
- 02 Software development projects with a budgeted cost in excess of the amount prescribed in Section 1560A should be capitalized.
- ~~03 Purchases of telecommunications equipment with a cost in excess of the amount prescribed in Section 1560A should be capitalized.~~
- ~~04 Purchases of computer hardware, software, or telecommunications equipment with a cost less than the amount prescribed in Section 1560A should be expensed to operations. Software development projects with a cost less than the amount prescribed in Section 1560A should be expensed to operations.~~

Deleted: HARDWARE AND SOFTWARE

Deleted: Purchases of computer hardware and software with a cost less than the amount prescribed in Section 1560A should be charged to expense account 035 – Hardware or 034 -Software.¶

¶
SOFTWARE DEVELOPMENT¶
¶
03

Deleted: ¶

Deleted: ¶

Formatted: Normal, Justified,
Indent: Left: 0 pt, Hanging: 36 pt,
Tabs: -72 pt, Left

Deleted: 04 Software development projects with a cost less than the amount prescribed in Section 1560A should be expensed to operations.¶

¶
MAINTENANCE AND LICENSING AGREEMENTS¶

¶
05 Maintenance or licensing agreements which extend more than one year should be recorded as prepaid expenses and charged to operations on a straight-line ba ... [1]

Formatted: English (U.K.)

Deleted: TELECOMMUNICATIONS EQUIPMENT¶

¶ ... [2]

Deleted: Small p

Deleted:

Deleted: that are not included in a capital work order may be budgeted and expensed using operating ... [3]

Deleted: 08 Please refer to Section 6000 for an explanation of the capitalization criteria and Secti ... [4]

Formatted

Deleted: August 10, 2006

Page 1: [1] Deleted		
	ag986	11/17/2009 4:07:00 PM
04	Software development projects with a cost less than the amount prescribed in Section 1560A should be expensed to operations.	

MAINTENANCE AND LICENSING AGREEMENTS

- 05 Maintenance or licensing agreements which extend more than one year should be recorded as prepaid expenses and charged to operations on a straight-line basis over the period covered by the agreement.
- 06 Software maintenance labour should be charged to expense as incurred.

Page 1: [2] Deleted		
	ag986	11/17/2009 4:07:00 PM
TELECOMMUNICATIONS EQUIPMENT		

07

Page 1: [3] Deleted		
	ag986	11/17/2009 4:08:00 PM
	that are not included in a capital work order may be budgeted and expensed using operating accounts	

Page 1: [4] Deleted		
	ag986	11/17/2009 4:03:00 PM
08	Please refer to Section 6000 for an explanation of the capitalization criteria and Section 6100 for a description of amounts to be included in the cost of capital expenditures.	

DEFINITION

- 01 Capital contributions in aid of construction include the value of cash, other assets and/or services received to defray the construction costs of capital assets. These contributions are generally received from two sources:
- a. residential, commercial or industrial customers; and
 - b. federal, provincial or municipal governments.

GENERAL

- 02 The Company has an obligation to provide electric service to the consuming public in the most cost effective manner. This obligation is discharged when a customer group receiving special services pays for the cost of those services, thereby avoiding situations in which one customer group subsidizes the rates of another.
- 03 The Company has formulated policies which prescribe the maximum distances over which service~~s~~ will be extended to meet the needs of a single customer or small customer group. The policies are contained in the Rate and Regulations Manual. When the electric service requirements of a specific customer or group of customers exceed these provisions, the associated costs shall be considered as requiring a customer capital contribution.
- 04 In determining the required contribution, every assurance must be made that the proposed solution is the most cost effective one for the customer. Factors that must be considered in calculating capital contributions required from a customer include:
- a. customer location;
 - b. future development and additional revenues;
 - c. public safety;
 - d. premature upgrading or construction of planned line facilities;
 - e. deferral of costs that would normally be spent in maintenance in the near future (e.g., replacement of poles, conductors, etc.); and
 - f. return on investment;

Deleted: August 10, 2006

POLICIES

- 05 Contributions in aid of construction should be offset against the property, plant or equipment to which they relate so that the net amount is depreciated and included in rate base.¹
- 06 If a relationship to a specific asset cannot be established, capital contributions should be offset against "Assets in Service" by function, and amortized at the composite rate of the relevant asset class or functional group.

PROCEDURES

- 07 The contributions required from customers are generally determined in accordance with internal operations guidelines and procedures. Contributions may take the form of cash or other assets or services.

- 08 When a contribution is received, the date of receipt, name of contributor and work order reference are included on the receipt. This journal entry to record a cash contribution would be as follows:

DR	Cash <u>or Asset</u>
CR	Capital Contributions - CWIP

Deleted: XXXX

Deleted: Construction Work in Progress

- 09 When the work order relating to a project for which a capital contribution has been received is closed to plant in service, the following journal entry is required to transfer the capital contribution to plant in service:

DR	Capital Contributions - CWIP
CR	Contributed Capital

Deleted: Construction Work in Progress

Deleted: XXXX

Deleted: (by Function)

Deleted: XXXX

- 10 Please refer to Section 5310 for a discussion of the amortization of capital contributions in aid of construction.

¹ CICA 3800.25

Deleted: August 10, 2006

GENERAL

- 01 Overhead expenses are integral costs associated with the construction of capital assets. Generally accepted accounting principles state that the cost of a capital asset not only includes direct construction or development costs (such as materials and labour), but also overhead costs attributable to construction or development activities.¹
- 02 Although overhead costs are both real and substantial, they cannot be identified with specific capital projects or expenditures. For this reason, overhead costs that contribute to the capital program must be allocated to capital projects.
- 03 Several practices are widely used to allocate overhead costs, with the most common methods charging overhead to capital projects based on measures such as machine hours, labour hours, labour costs or some combination of the three. In a 1982 ruling, the Public Utilities Board approved the Company's application to apply overhead costs based on direct labour costs. The method has since been accepted by the UARB through its approval of capital work orders that have included a charge for overhead expenses that were calculated based on direct labour costs.

POLICY

- 04 The Company should apply "Capital-related Overhead Expenses" to capital projects based on the direct labour costs charged to those projects

PROCEDURES**IDENTIFICATION OF DIVISIONS**

- 05 The first step in the application of overhead costs to capital projects is the disaggregation of NSPI's **Annual Capital Expenditure Plan** (ACE Plan) into several broad areas of responsibility with similar project types as well as significant eligible overhead expenses. For the purposes of this Section, these areas will be referred to as "divisions". The three divisions presently identified by the Company are Customer Operations, Power Production and Shared Services. Shared Services includes Information Technology.

Deleted: , Customer Services,
Finance

DETERMINATION OF ELIGIBLE OVERHEAD EXPENSES

- 06 The next step is the identification of operating expenses that will benefit construction or development activities. A separate determination is made for each division. The process relies on budgeted

Deleted: .

Deleted: and Marketing

1CICA Handbook, 3061.20.

Deleted: October 13

Deleted: August 10

Deleted: , 2006

expense figures since the overhead application rate for a particular fiscal year must be determined before the year commences.

07 Customer Operations Division

The nature of operating expenses in the Customer Operations Division is primarily identified by the activity segment of the accounting flex field.² The budgeted expenses for all eligible activities are accumulated to obtain the divisional total. A separate allocation of head office rent is then added to the Division's eligible expenses.

Vehicle Overhead rate is calculated and applied separately. The budgeted expenses for all eligible operating expenses related to each vehicle class are identified. Customer Operations is the only area of NSPI that applies a separate A/O rate for vehicle expenses.

08 Power Production Division

Eligible Overhead Expenses for Power Production include all costs incurred by the Division's head office cost centres as well as the costs included in the administration cost centres for all operational generating stations. A separate allocation of head office rent is then added to the Division's eligible expenses.

09 Shared Services Division

Eligible Overhead Expenses and rates are calculated for each Shared Services Division, deemed to have capital related labour and expenses. These eligible expenses include, but are not limited to, office supplies, training, rent, membership dues, materials, etc. A separate allocation of head office rent is then added to the Division's eligible expenses.

10 HEAD OFFICE RENT

Head Office rent is allocated to the three operating divisions based on the square footage occupied by each division.

DETERMINATION OF CAPITAL-RELATED OVERHEAD EXPENSES

Deleted: ¶

²For a detailed discussion of the general ledger account structure, please refer to Section 3100.

Deleted: October 13

Deleted: August 10

Deleted: , 2006

11. Once the Eligible Overhead Expenses have been determined, the overhead expenses related to the Company's capital activities must be calculated. This calculation involves prorating the eligible overhead expenses determined above based on capital labour to total labour for both administrative and vehicle overheads.

Deleted: 0

Deleted: 1

12. Some capital-related expenses are recorded outside of the divisional cost centres. In accordance with generally accepted accounting principles, expenses relating to capital labour should be included with the overhead expenses that are to be charged to a capital project. These expenses are to be allocated to the divisions' overhead based on their capital labour costs.

Formatted: Indent: Left: 0 pt,
Hanging: 36 pt

Deleted: 1

Formatted: Indent: Hanging: 18 pt

CALCULATION OF OVERHEAD APPLICATION RATE

13. Once the Capital-related Overhead Expenses have been determined, the overhead application rate can be calculated. The application rate is simply the quotient, expressed as a percentage, of the Capital-related Overhead Expenses divided by the capital labour costs. A separate calculation is performed for each division.

Deleted: 12

REVIEW OF OVERHEAD APPLICATION RATE

14. The overhead application rate will be reviewed on an annual basis by Capital Accounting to assess its reasonableness.

Deleted: 13

Deleted: Corporate

Deleted: Services

APPLICATION OF OVERHEAD

15. The overhead charged to a particular project is determined by multiplying the labour costs charged to the project by the appropriate overhead application rate. The charge is debited to a Capital Work Order while the credit is recorded in general ledger account 095 - Construction Overhead or account 092 - Vehicle Overhead. These accounts are included in Operating, Maintenance and General Expenses.

Deleted: 14

Deleted: October 13

Deleted: August 10

Deleted: , 2006

GENERAL

- 01 Overhead expenses are integral costs associated with the construction of capital assets. Generally accepted accounting principles state that the cost of a capital asset not only includes direct construction or development costs (such as materials and labour), but also overhead costs attributable to construction or development activities.¹
- 02 Although overhead costs are both real and substantial, they cannot be identified with specific capital projects or expenditures. For this reason, overhead costs that contribute to the capital program must be allocated to capital projects.
- 03 Although the application rate for externally contracted projects is based on the contracted costs, the Capital-related Overhead Expenses are determined using labour costs; therefore, the method is in accordance with Public Utilities Board's ruling described in Section 6230.

Deleted: Several practices are widely used to allocate overhead costs, with the most common methods charging overhead to capital projects based on measures such as machine hours, labour hours, labour costs or some combination of the three. In a 1982 ruling, the Public Utilities Board approved the Company's application to apply overhead costs based on direct labour costs. The method has since been accepted by the UARB through its approval of capital work orders that have included a charge for overhead expenses that were calculated based on direct labour costs.¶
¶
04

POLICY

- 05 The Company should apply "Capital-related Overhead Expenses" to externally contracted capital projects based on the contract costs charged to those projects.

PROCEDURES**IDENTIFICATION OF DIVISIONS**

- 06 The first step in the application of overhead costs to capital projects is the disaggregation of NSPI's **Annual Capital Expenditure Plan** (ACE Plan) into several broad areas of responsibility with similar project types as well as significant eligible overhead expenses. For the purposes of this Section, these areas will be referred to as "divisions". The three divisions presently identified by the Company are Customer Operations, Power Production and Shared Services.

¹CICA Handbook, 3061.20.

Deleted: August 10, 2006

DETERMINATION OF ELIGIBLE OVERHEAD EXPENSES

- 07 The next step is the identification of operating expenses that will benefit construction or development activities. A separate determination is made for each division. The process relies on budgeted expense figures since the overhead application rate for a particular fiscal year must be determined before the year commences.
- 08 **Customer Operations Division**
- The nature of operating expenses in the Customer Service Division is primarily identified by the activity segment of the accounting *flex field*.² The budgeted expenses for all eligible activities are accumulated to obtain the divisional total.
- 09 **Power Production Division**
- Eligible Overhead Expenses for Power Production include all costs incurred in the administration cost centres for all operational generating stations.
- 10 **Shared Services Division**
- Eligible Overhead Expenses and rates are calculated for each Shared Services Division deemed to have capital related labour and expenses. These eligible expenses include, but are not limited to, office supplies, training, rent, membership dues, materials, etc.

DETERMINATION OF CAPITAL-RELATED OVERHEAD EXPENSES

- 11 Once the Eligible Overhead Expenses have been determined, the overhead expenses related to the Company's capital activities must be calculated. This calculation involves prorating the remaining eligible overhead expenses determined above based on contractor labour to total labour. For example, if the total estimated labour related to capital contracts plus the operating labour contained in NSPI accounts equalled \$100,000 and the labour related to contracts was \$10,000, then contract labour would be 10% of total labour. Therefore, 10% of the remaining eligible expenses would be Capital-related Overhead Expenses related to contracted assets.

²For a detailed discussion of the general ledger account structure, please refer to Section 3100.

Deleted: August 10, 2006

- 12 The double application of the self-constructed overhead costs is avoided by applying the self-constructed rate to the Eligible Overhead Expenses determined above and then reducing those expenses by the result.

CALCULATION OF OVERHEAD APPLICATION RATE

- 13 Once the Capital-related Overhead Expenses have been determined, the overhead application rate can be calculated. The application rate is simply the quotient, expressed as a percentage, of the Capital-related Overhead Expenses divided by the contract costs. For example, if Capital related Overhead Expenses were determined to be \$1,000 and the total contract costs were \$100,000, then the Overhead Rate for contracted assets would be 1%. A separate calculation is performed for each division.

REVIEW OF OVERHEAD APPLICATION RATE

- 14 The overhead application rate will be reviewed on a periodic basis by ~~Capital Accounting~~, to assess its reasonableness.

Deleted: Corporate

Deleted: Services

APPLICATION OF OVERHEAD

- 15 The overhead charged to a particular project is determined by multiplying the contract costs charged to the project by the appropriate overhead application rate related to the appropriate division. The charge is debited to a Capital Work Order while the credit is recorded in general ledger account 095 - Construction Overhead. This account is included in Operating, Maintenance and General Expenses

Deleted: August 10, 2006

GENERAL

- 01 The Company provides for the cost-of-capital invested in construction work in progress by including an allowance for funds used during construction ("AFUDC") as an addition to the cost of property constructed using a weighted average cost-of-capital. This will be charged to operations through depreciation over the service life of the related assets and recovered through future revenues.
- 02 The cost to acquire or construct a capital asset over time should include the cost of financing that asset until it is placed in service. By including AFUDC in the cost of the capital asset, the associated financing costs will be more equitably recovered from customers, through depreciation, over the service life of the asset.
- 03 CICA Handbook states that AFUDC on acquisitions or construction over a period of time should be capitalized for utilities regulated on rate of return:

The cost of an item of property, plant and equipment that is acquired, constructed, or developed over time includes carrying costs directly attributable to the acquisition, construction, or development activity such as interest costs when the enterprise's accounting policy is to capitalize interest costs. For an item of rate regulated property, plant and equipment, the cost includes the directly attributable allowance for funds used during construction allowed by the regulator.¹

POLICY

- 04 Allowance for funds used during construction should be capitalized at the effective cost-of-capital rate, compounded semi-annually, except in the following circumstances:
- a. Projects that will be under construction for less than a predetermined time;
 - b. Projects delayed for more than one year due to extraordinary circumstances; and
 - c. Projects with an economic value or future benefits that will be exceeded by such capitalization.

PROCEDURES

05 Criteria for Application

AFUDC is applied to all capital work orders with the following exceptions:

¹CICA Handbook, 3061.23.

Deleted: August 10, 2006

- a. work orders with a construction period less than two months (e.g. routine work orders);
- b. work orders used to purchase assets that are used immediately upon delivery (e.g. office furniture, tools, vehicles, computer equipment, etc.);
- c. work orders for the purchase of land or land rights that will be held for future use;
- d. work orders with customer contributions equal to 100% of construction costs and receivable as costs are incurred;
- e. work orders that are deferred for more than one year; and
- f. retirement work orders.

06 Basis for Application

The application base for AFUDC includes the cumulative total of all direct and indirect charges to work orders, but excludes all AFUDC related to spending subsequent to January 1 or July 1, whichever is the latest. This exclusion effectively results in semi-annual compounding of AFUDC.

The following example illustrates the calculation of the application base for an individual capital work order compounding interest (January and July) (assume the following applies to Work Order D387):

Cumulative to date charges \$100,000

Less:

Cumulative interest to date (includes Jan and July interest calculation) (4,000)

Subtotal 96,000

Add:

 Cumulative interest to end of last fiscal period (June 30 or December 31) 3,500

~~(does not include monthly calculation for January and July)~~

Application base \$ 99,500

Deleted:

Formatted: Indent: Left: 72 pt

Deleted: 3,500

Deleted: August 10, 2006

07 **Timing of Application**

AFUDC application begins in the month in which a work order receives charges and continues until the month the work order becomes operational plant. On most work orders, AFUDC is applied at the full rate to cumulative charges to the end of the current month. In the case of major capital work orders, the actual start date and the operational date will be taken into consideration when applying AFUDC.

08 **Accounting Entry**

Work order D387 will be used to demonstrate the general ledger entries required to record AFUDC. If the annual AFUDC rate was 10.2%, it must first be divided by 12 to arrive at the monthly rate. The result of this calculation is then multiplied by the application base of \$99,500. The resulting AFUDC of \$845.75 is recorded as follows:

DR	2-094-005-700-D387	CWIP	845.75	
CR	1-094-000-000-0000	Interest Capitalized		845.75

09 **Calculation of AFUDC Rate**

The rate used to capitalize AFUDC is the Company's ***weighted average cost of capital before tax***. The rate is calculated annually, in advance, by dividing the forecasted annual interest expense, preferred dividends and net earnings applicable to common shareholders by the forecasted average debt and equity.

Deleted: August 10, 2006

DEFINITION

- 01 Purchase price discrepancy is the excess of the cost of acquired assets over the net of the amount assigned to assets acquired and liabilities assumed as approved by the UARB.

POLICY

- 02 Purchase price discrepancies should be recorded as assets.
- 03 Section 1520 states purchase price discrepancies are not included in rate base. Section 5320 discusses the amortization of purchase price discrepancies.

POLICY

- 01 The cost and accumulated depreciation of capital assets transferred from one function to another within NSPI should be removed from the existing function and recorded by the acquiring function.

PROCEDURE

- 02 When a capital asset is transferred from one location to another within the Company, the following accounting procedures are performed:
- a. original installation costs are retired;
 - b. costs of removal are charged to accumulated depreciation;
 - c. original cost and accumulated depreciation are transferred; and
 - d. costs to install the equipment are added to the original cost transferred.

DEFINITION

- 01 An asset retirement obligation is a legal obligation associated with the retirement of a tangible long-lived asset that an entity is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.¹

GENERAL

- 02 Effective January 1, 2004, the Company retroactively adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants related to asset retirement obligations. ~~This standard requires the Company to determine the fair value of the future expenditures required to settle legal obligations to remove fixed assets.~~
- 03 The present value of this estimated future expenditure was recognized as a liability with an equivalent amount added to the carrying amount of the associated fixed asset.
- 04 The UARB provided a depreciation order effective January 1, 2004 approving the amount of future expenditures associated with the removal of generation facilities. Any difference between the amount approved by the UARB as depreciation expense and the amount that would have been calculated under the new accounting standard will be recognized as a regulated asset
- 05 Some of the Company's transmission, distribution and marine terminal assets may also have asset retirement obligations. A reasonable estimate of the fair value of any related asset retirement obligation cannot be made at this time.

Deleted: Previously the Company had accrued its obligations in annual increments based on the expected settlement date of the obligation using estimated current costs.

Deleted: e new

POLICY

- 06 A liability for an asset retirement obligation should be recognized when a reasonable estimate of fair value can be made.²
- 07 Upon initial recognition, the carrying amount of the related long-lived asset will be increased by the same amount as the asset retirement liability. Subsequently, asset retirement costs will be allocated to expense using a systematic and rational method over the useful life of the asset.³
- 08 After initial recognition, period-to-period changes in the liability should be recognized in the liability for the asset retirement obligation resulting from passage of time and revisions to either the timing or the amount of the original estimate.⁴
- 09 An impairment loss should be recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.⁵

Formatted: Font: Not Italic

Formatted: Font: Not Italic

¹ CICA Handbook, 3110.03

² CICA Handbook 3110.05

³ CICA Handbook 3110.13

⁴ CICA Handbook 3110.16

Deleted: August 10, 2006

PROCEDURES

- 10 For initial recognition of the Asset Retirement Obligations, these journal entries were recorded:

DR: Plant, Property and Equipment

CR: ARO Liability

To set up the original cost of decommissioning the assets

DR: Accumulated Depreciation

CR: ARO Accretion

To set up ARO liability for plants

DR: ARO Liability

CR: Accumulated Depreciation

To reverse the existing site restoration liability

- 11 On a monthly basis, the following journal entries are to be recorded:

DR: Depreciation Expense

CR: Accumulated Depreciation

To record depreciation expense on the decommissioning asset

DR: Accretion Expense

CR: ARO Accretion

To record the Asset Retirement Obligation

⁵ CICA Handbook 3063.04

Deleted: August 10, 2006

DEFINITION

- 01 A redundant asset is one that is no longer required at a specific location, or has become excess by virtue of technology, system changes, etc., and is no longer used and useful at this location.

POLICY

- 02 ~~Redundant assets should be retired from property, plant and equipment and, therefore, excluded from rate base.~~¹

Formatted: Font: Not Italic

Formatted: Font: Not Italic

PROCEDURE

- 03 Assets that are identified as being redundant are evaluated to assess whether they should be returned to inventory, scrapped or transferred to another location.

Deleted: or account

- 04 The accounting treatment for retirements is explained in Section 6420 - Retirement and Disposal of Capital Assets. The accounting for the transfer of capital assets from one location to another is detailed in Section 6260 - Transfer Value.

Deleted: 05 . Redundant assets are excluded from *rate base*.²

¹Please refer to Section 1520 for details.

Deleted: August 10, 2006

GENERAL

- 01** When an asset no longer provides a benefit, and is not expected to provide any benefit in the future, its undepreciated cost should be written off in the period that it is recognized as being neither used nor useful. In determining the write off, future removal costs and potential proceeds should be considered.
- 02** To enhance rate stability, significant write offs may be amortized over a reasonable period, subject to UARB approval. This method recognizes the benefit of recovering the cost of the asset, over a period of time, through regulated rates.
- 03** If an asset is not being used, but it is available for service, and is part of the normal level of standby capacity it is to be treated as a used and useful asset, and depreciated over its expected useful life.
- 04** The cost of assets not currently used, but that will be useful in providing service to future customers should not be charged against current net earnings. Depreciation should not occur while the asset is not in service. Cost of capital should not be charged on the existing cost base during the out of service period. Additional capital spending for improvements required to return the asset to service (or place a previously purchased asset into service) will be charged to the cost of capital.
- 05** Transfers from one category to another are at book value and gains or losses (through write downs or sales) will be included in rate base and recovered from customers in the manner described above.

Deleted: 01 Assets acquired for operations subject to rate regulation are recorded as property, plant and equipment and depreciated over their useful lives. Cost is recovered through rates as the depreciation expense reduces net earnings.¶

Deleted: 2

Deleted: 03

Deleted: 04

Deleted: 05

Deleted: with

Deleted: 06 Effective January 1, 1996, on a prospective basis, the Glace Bay plant (which was removed from service) will be charged with cost of capital at the applicable annual rate and all operating costs deferred. All deferred costs will be amortized into expense over a reasonable period, subject to UARB approval.¶

Deleted: 7

Deleted: 08

POLICY

- 06** Assets that are not both used and useful should be classified in one of the following categories:
- Not used and not useful;
 - Not used but useful for standby purposes; or
 - Not used but useful for future service.

Deleted: August 10, 2006

NOT USED AND NOT USEFUL

- 07** Assets meeting the following criteria are included in this category: Deleted: 09
- they do not currently provide service to the consuming public; and
 - they are not expected to provide a benefit to customers in the foreseeable future.
- 08** Where an asset is neither used nor useful, there is no current or future benefit against which the undepreciated cost of the asset can be matched. Therefore the undepreciated cost should be written off in the period in which an asset is determined to be not used and useful. Deleted: 10
- 09** In order to enhance rate stability, where the write off is significant and UARB approval is obtained, the undepreciated cost of the asset should be amortized, on a straight-line basis, over five years or over a reasonable period, subject to UARB approval. The unamortized cost may remain in rate base, and any cost of capital should be expensed in the period incurred. Deleted: 11

NOT USED BUT USEFUL FOR STANDBY PURPOSES

- 10** Assets meeting the following criteria are included in this category: Deleted: 12
- they do not currently provide service to the consuming public; and
 - they are available for service and are required to maintain standby capacity.
- 11** Assets used as standby facilities provide service to customers even though they may not actually be used to generate power or otherwise meet customer requirements. They provide insurance to current customers that their requirements will be met even if there were to be an equipment failure, unexpected increase in demand or other event that would prevent the currently used and useful assets from meeting customer requirements. Deleted: 13
- 12** An asset that is not used but is useful as a standby facility is to be treated the same as an asset that is used and useful. The asset is to be depreciated over its expected useful life. The undepreciated cost of the asset is to be included in rate base, and the related cost of capital recognized as an expense of the period in which it is incurred. Deleted: 14

NOT USED BUT USEFUL FOR FUTURE USE

- 13** Assets meeting the following criteria are included in this category: Deleted: 15
- they do not currently provide service to the consuming public; and
 - they are expected to be used and useful in providing service in the future or to form part of the normal level of standby capacity in the future.

Deleted: August 10, 2006

- 14** Assets not currently used, but expected to be used in providing service in the future will provide value to customers at a future date. Accordingly, the cost of the asset is to be matched to the future periods in which the asset will provide value to customers. Deleted: 16
- 15** To the extent that the cost of the asset plus any other costs of maintaining the asset until it is placed (or returned) to service exceed its expected future value, the excess cost is similar to the cost of an asset that is neither used nor useful. Where it is expected that there will be an impairment loss of the long-lived asset when returned to service, the excess is to be written off and recovered from customers in the period in which the excess is identified.¹ However, to enhance rate stability, where the excess is significant, it may be deferred and amortized over a five year period or over a reasonable period subject to the approval of the UARB. Deleted: 17
- 16** Depreciation on these assets is deferred until they are returned to service. The unamortized cost of the assets (net of any write offs) is to remain in rate base. Deleted: 18
- 17** No cost of capital (neither return nor interest) is to be capitalized on the existing cost base during the out of service period. Any related cost of capital is to be recovered from customers and expensed, as applicable, in the period the cost is incurred. Deleted: 19
- 18** The costs of maintaining assets while out of service are to be expensed as incurred. These costs include the cost of mothballing the facilities and returning the asset to service. Where the mothballing costs are approved as significant, the amounts may be deferred. Subject to UARB approval, the deferred costs may be amortized and recovered from customers over a five year period including the year that the cost is incurred, or over such period as the UARB deems prudent. Where the costs of placing (or returning) assets to service are significant, they may be added to the assets' capital costs. Deleted: 20 Effective January 1, 1996, on a prospective basis, the Glace Bay plant (which was removed from service) will be charged with cost of capital at the applicable annual rate and all operating costs deferred. All deferred costs will be amortized into expense subject to UARB approval.¶
21

¹ CICA Handbook 3063.04

Deleted: August 10, 2006

GENERAL

- 01 A long-lived asset to be sold should be classified as held for sale in the period in which all of the following criteria are met:
- a. It is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets
 - b. The sale is expected to qualify for recognition within one year
 - c. It is being actively marketed for sale at a price that is reasonable in relation to fair market value.¹
- 02 A newly acquired long-lived asset that will be sold rather than used is classified as held for sale at the acquisition date if the one-year requirement is met.

POLICY

- 03 Long-lived assets identified as being disposed of by sale, shall be classified as held for sale in the period the criteria for long-lived assets to be disposed of by sale are met.
- 04 A long-lived asset classified as held for sale should be measured at the lower of its net book value or fair market value less cost to sell.
- 05 A long-lived asset should not be depreciated while it is classified as held for sale. Interest and other expenses attributable to the long-lived asset should continue to be accrued.
- 06 If a long-lived asset is no longer being held for sale, it should be reclassified as held and used at the lower of:
- a. Carrying value before it was classified as held for sale, adjusted for any depreciation expense that would have been recognized; or
 - b. Fair value at the date of the decision not to sell

¹ CICA Handbook 3475.08

DEFINITION

- 01 Accumulated depreciation, or depreciation reserves, are capital asset contra accounts that are offset against gross capital asset accounts to provide the net book value of the assets at a particular point in time.

GENERAL

- 02 The accounts for accumulated depreciation summarize data relating to the depreciation and retirement of capital assets, and capital contributions. These accounts reflect the accumulated activity for a particular cost centre/activity from the date of inception to the current date. This information is maintained by cost centre in Production Plant (steam, gas turbine and hydro) and by activity in mass plant (Transmission, Distribution and General Property).
- 03 With the exceptions of the sale of land and the retirement of a production plant, no gains or losses are immediately recognized on the retirement of capital assets¹

POLICY

- 04 Accumulated depreciation should be netted against assets' costs so that the assets are reported at their net book values.

PROCEDURES

- 05 At a particular point in time, the balance in the accumulated depreciation accounts is comprised of the following amounts:
- a. total depreciation expense taken to date;
 - b. total depreciation associated with the original decommissioning asset;
 - c. less net - salvage allowances;
 - d. less original costs of any assets that have been retired.

¹ Please refer to Section 6440 for more details

Deleted: August 10, 2006



06 When conducting a depreciation rate study, the balances in these accounts are taken into consideration when setting the final rate. If the assets in an individual depreciable group have been over/under depreciated to date, a reserve difference will result. This difference must be written off over the remaining life of the assets. This will result in an adjustment in the depreciation rate to ensure the reserve balance will be properly credited over the remaining life.

Deleted: 06 Accumulated depreciation data is available at the following level of detail:¶

Deleted: ¶
Asset Group ... [1]

Deleted: 07

Asset Group	Level of Detail
Steam and Gas Turbine Production Plant	Total by individual generating station
Hydro Production Plant	Total by individual hydro system
Mass Property (Transmission, Distribution and General Property)	Total by individual activity

DEFINITIONS

- 01 **Cost** Formatted: Font: Not Bold
- Cost is the main component of most **retirement work orders** and represents the amount by which capital assets in service and related accumulated depreciation accounts must be reduced for the deletion of the asset from service. Please refer to Section 6100 for a more detailed description of the items included in cost.
- 02 **Asset Retirement Obligations (AROs)** Formatted: Font: Not Bold
- An Asset Retirement Obligation is a legal obligation associated with the retirement of a tangible long-lived asset that an entity is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.¹ These costs include but are not limited to labour, materials, overhead and vehicle expenses.
- 03 **Removal Costs**
- Removal costs refer to the charges associated with removing a retired asset from its in-service location. These costs include but are not limited to labour, materials, overhead and vehicle expenses.
- 04 **Salvage Value** Formatted: Font: Not Bold
- Salvage value refers to the proceeds from the sale of a retired asset or, if a retired asset is returned to inventory, the inventory value at which it is recorded.
- 05 **Net Salvage Value** Formatted: Font: Not Bold
- Salvage value less cost of removal is referred to as net salvage value. The amount may be either positive or negative and is charged or credited to accumulated depreciation.
- 06 **Retirement Work Order** Formatted: Font: Not Bold
- Retirement costs can be recorded in a retirement work order or in a new capital work order. Retirement work orders are used to collect all retirement costs and salvage values associated with a retirement project. They are subject to the same approval process as **new capital work orders**.

¹ CICA Handbook 3110.03

Within new capital work orders, retirement, salvage and original cost amounts are captured under retirement accounts.

GENERAL

- 07 Plant in service refers only to assets that are currently used and useful in the provision of electric service to the consuming public. Factors causing assets to lose their ability to provide service include:
- a. reaching the end of their useful lives;
 - b. irreparable equipment failure; and
 - c. technological obsolescence.

POLICY

- 08 Assets that are not used and not expected to be used in the foreseeable future should be retired from plant in service.²

PROCEDURES

- 09 For retirements of property, plant and equipment other than land and entire production plants, the original cost plus any costs of removal less salvage proceeds is charged to accumulated depreciation, with no immediate gain or loss recognized.
- 10 A retirement work order must be submitted for any proposed significant capital asset retirement and it must follow the same approval procedures as new Capital Work Orders. For new capital work orders that have a retirement component, the work order will be set up and approved with retirement accounts to capture the cost of retiring assets, the original cost of the asset to retire and any salvage received from the sale or amount recorded if the asset was returned to inventory. Section 6200 explains the procedures for approval of new Capital Work Orders.
- 11 When retired assets are physically removed from their in-service locations and subsequently sold or returned to inventory, costs of removal along with any proceeds of disposal are accumulated in the proper accounts within a capital work order.
- 12 In the event that salvage is in the form of proceeds from an insurance claim, the work order is credited with the total claim (including the deductible) while the deductible amount only is charged to operations.

²Please refer to Section 6350 for a discussion of the classification of assets.

- 13 When a work order has received final cost approval, an entry is made for the final disposition of charges to capital assets in service and accumulated depreciation.

Retirement of Assets Other than Land

- 14 When assets are disposed of, a retirement work order is set up or retirement accounts are set up within a capital work order. These are used to remove costs from the capital asset records. An example will demonstrate the journal entries required to retire an asset other than land. Assume that a piece of computer equipment with an original cost of \$85,000 and accumulated depreciation of \$52,000 is to be sold for \$15,000.

- 15 The following journal entries are required to record the equipment retirement and proceeds of disposal:

DR	2-097-R72-xxx-xxxx (Original Cost)	85,000	
CR	2-200-R72-xxx-0000 (PP&E)		85,000
To record the original cost to be retired.			

DR	1-300-000-000-0000 (Cash)	15,000	
CR	2-098-R72-xxx-xxxx (Salvage)		15,000
To record proceeds from sale of equipment.			

- 16 After all charges have been processed against a work order and the work order has been final costed, the following entry is recorded at the end of the year in which the work order was final costed to close the retirement work order and charge accumulated depreciation:

DR	2-098-R72-xxx-xxxx (Salvage)	15,000	
DR	2-210-R72-xxx-x0000 (Accumulated Depreciation)	70,000	
CR	2-097-R72- xxx-xxxx (Original Cost)		85,000
To record final costing of the work order			

- 17 Asset retirement obligations have been set up for the decommissioning of thermal and hydro sites. The liabilities should be reviewed and if there is an amount recorded to cover the cost of retiring the assets, the following entry should be recorded:

DR: 2-xxx-xxx-xxx-xxxx
 CR: 2-531-xxx-xxx-xxxx
 To transfer ARO for asset retirement costs

Retirement of Land

- 18 When land is disposed of, retirement accounts within a work order are used to remove its cost from the capital asset records. An example will demonstrate the journal entries required to retire land. Assume that a piece of land with an original cost of \$5,000 is to be sold for \$50,000. Costs to clean up the site will amount to \$10,000.

- 19 The following retirement transactions are required to record the retirement of land, the site restoration costs and proceeds of disposal and recognize the gain on the sale:

DR	2-097-R01-xxx-xxxx(Original Cost)	5,000	
CR	2-200-R01-xxx-x000		5,000

To record the original cost of land to be retired in a retirement work order.

DR	2-066-R01-xxx-xxxx (Expense Account)	10,000	
CR	1-530-000-000-0000 (Account Payable (A/P)		10,000

To record site restoration costs.

DR	1-300-000-000-0000 (Cash)	50,000	
CR	2-098-R01-xxx-xxxx (Salvage)		50,000

To record proceeds from sale of land.

- 20 After all charges have been processed against a work order and the work order has been final costed, the following entry is recorded at the end of the year the work order was final costed to close the retirement accounts within the work order:

DR	2-098-R01-xxx-xxxx (Salvage)	50,000	
CR	2-066-R01-xxx-xxxx (Other Goods & Services)		10,000
CR	2-097-R01-xxx-xxxx (Original Cost)		5,000
CR	1-195-000-000-0000(Gain / Lost on Asset Sales		35,000

PROPERTY, PLANT AND EQUIPMENT
**GAIN OR LOSS ON DISPOSITION
OF CAPITAL ASSETS - 6440**



POLICIES

- 01 Gains or losses on capital assets, with the exception of land, are deferred and amortized over the estimated useful life of the assets remaining in the property unit.¹
- 02 Gains or losses arising from the sale of land are recognized immediately.

PROCEDURES

- 03 Please refer to Section 6420 for the procedures to record the retirement of capital assets.

¹CICA Handbook, 3475.26.

POLICIES

- 01 Items under the caption "Cash" on the financial statements, the Company should include petty cash funds and the net total of the bank accounts, if the total is in a debit position (positive).
- 02 If the net total of the Company's bank accounts is in a credit (overdraft) position, this amount should be reclassified under the caption "Bank indebtedness" for financial statement presentation purposes.

PROCEDURES

- 03 Monthly bank reconciliations are performed to ensure that all bank statements agree to the accounting records and that all required adjustments are recorded through journal entries.
- 04 If the net total of the bank accounts is in a credit position (overdraft), the recurring entry to record the reclassification is:

DR	Bank (various)	XXX	
CR	1-500 Bank indebtedness		XXX

Deleted: preformed

Deleted: August 10, 2006

GENERAL

- 01 There may be times when the amount of cash on deposit in NSPI's bank accounts exceeds the amount determined necessary for daily operations. These surpluses usually arise on those days during which no short-term borrowings are due for repayment meaning that the Company must hold this excess cash until one of its short-term borrowing instruments matures. Cash surpluses may also arise for short periods when the proceeds of long-term debt or equity are received and are awaiting to be invested or used to repay other obligations.
- 02 Please refer to Section 8110 for a discussion of short-term borrowings.
- 03 Rather than have excess cash balances sit idle in bank accounts, NSPI invests these funds in short-term investments to maximize interest income.

POLICY

- 04 The Company should invest excess cash balances in short-term investment instruments so that interest income is maximized.

PROCEDURES

- 05 The Corporate Treasurer or their designate is responsible for reviewing the Company's cash position on a daily basis and determining whether or not there will be a cash surplus. Should a surplus be projected, the following factors are considered in the decision to invest the excess cash:

- a. the amount of the surplus;
- b. the projected cash requirements for the immediate future; and
- c. the prevailing rates available.

- 06 Once an amount and term are determined, treasury staff solicits bids from at least two money market dealers to obtain the most competitive rate for the amount and term to be invested.

- 07 The journal entry to record the purchase of a short-term investment is:

DR	1-320	Short-Term Investments	XXXX	
CR	1-300	Cash		XXXX

- 08 When short-term investments mature, the interest earned is credited to short-term interest expense. The journal entry to record the maturity is:

DR	1-300	Cash	XXXX	
CR	1-320	Short-Term Investments		XXXX
CR	1-083	Short-Term Interest		XXXX

- 09 Please refer to Section 5800 for a more detailed discussion of the accounting treatment for interest income.

DEFINITIONS

- 01 Receivables are claims held against others for money, goods, or services. They are further classified as trade receivables and non-trade receivables. Trade receivables are amounts owed by customers for goods and services rendered as part of the Company's normal operations and comprise the largest portion of "Accounts receivable" on the financial statements. Non-trade receivables arise from a variety of transactions and, because of their peculiar nature, are often separately disclosed on the financial statements if they are considered material.¹ NSPI sub classifies non-trade receivables into business, employee and miscellaneous receivables.
- 02 The allowance for doubtful accounts is a contra account (*i.e.* it is offset against other receivable balances to arrive at a net amount) used to record the estimate of uncollectible receivables.

POLICIES

- 03 Trade receivables should be recorded when customers are billed.
- 04 Non-trade receivables should be recorded when the transaction, giving rise to the receivable, has occurred.
- 05 An allowance for doubtful accounts should be recorded to adjust receivable balances to amounts that will ultimately be collected by NSPI.

PROCEDURES

06 Trade Receivables

Electric service accounts receivable are generated by sales and billings to customers for power consumed. The receivables resulting from the billings system is recorded in two general ledger accounts to facilitate account analysis and improve internal control. The general ledger accounts used to record electric service receivables are:

330	Electric Service Receivables
335	Large Customer Receivables

¹ CICA Handbook, 3020.01

Deleted: August 10, 2006

07 **Non-trade Business Receivables**

Non-trade business receivables include demand side management (DSM) program, financial derivatives, contract receivable, accrued interest receivable and financing contracts for water heaters and ETS units. DSM receivables are generated in the normal course of operations and are based on contractual agreements. Financial derivative receivables are generated in the normal course of operations and are based on contractual agreements. Contract receivable is based on a contractual agreement. Accrued interest receivable includes interest earned on short-term investments that has not been received as at the financial statement date. The general ledger accounts used to record non-trade business receivables include:

- 334 CS&M D.S.M. Receivable
- 340 Financial Derivative Receivable
- 348 Contract Receivable
- 350 Accrued Interest Receivable
- 353 Water Heater Loans
- 356 Receivable Marketing & Sales

Deleted: oil swap

Deleted: arbitration

Deleted: Oil swap

Deleted: Arbitration

Deleted: c

Deleted: Oil Swap

Deleted: Arbitration Contract

08 **Nontrade Employee Receivables**

Nontrade employee receivables include payroll advances, expense advances, vacation payroll advances, etc. These amounts are recovered on a timely basis through payroll deductions and submission of employee expense statements. The general ledger accounts used to record nontrade employee receivables include:

- 341 Payroll Standing Advances
- 342 Other Employee Advances
- 343 Employee Expense Advances
- 344 Payroll Advances
- 345 Employee Purchases Receivable
- 347 Employee Share Purchase Loans
- 349 Retirement Award Advance

09 **Nontrade Miscellaneous Receivables**

Nontrade miscellaneous receivables mainly arise from sales of surplus material and equipment and returns to suppliers. Interest charges apply to past due balances. The general ledger accounts used to record nontrade miscellaneous receivables include:

- 337 Miscellaneous Receivables
- 352 Returns to Suppliers

Deleted: ¶

Deleted: 330 - Customer Service Receivables

Deleted: August 10, 2006

354 Other Receivables

10 **Allowance for Doubtful Accounts**

The allowance for doubtful accounts is calculated and adjusted monthly, to reflect the Company's best estimate of uncollectible receivables. Large industrial and commercial accounts are assessed for collectibility on an individual basis while all other accounts are assessed based on an analysis of aged listings of receivables.² The rates (factors) used to estimate the uncollectible accounts for each aging category are based on past data and experience and consider the following:

Deleted: and adjusted quarterly

- a. age of the outstanding amounts; b. age of receivable write offs; c. percentage of recoveries of write offs.

The general ledger account used to record the allowance for doubtful accounts is:

339 Allowance for Doubtful Accounts

² CICA Handbook, 3020.09

Deleted: August 10, 2006

DEFINITION

- 01 The unbilled revenue receivable relates to revenue for service rendered but not billed to customers.

POLICY

- 02 The Company accrues revenue for service rendered but not billed to customers and presents it under current assets as "Unbilled revenue receivable" on the balance sheet.¹

PROCEDURE

- 03 Unbilled revenue receivable is charged to account 355.

¹ Please refer to Section 4100, paragraphs .02 and .04.

DEFINITION

- 01 Inventories include the following significant categories:
- thermal materials;
 - transmission and distribution materials; and
 - fuel.

POLICIES

- 02 Inventories are measured at the lower of cost and net realizable value.
- 03 Inventories should be presented in the financial statements in accordance with Section 3031 of the CICA Handbook.

PROCEDURES

Materials

- 04 Materials are accounted for using a computerized perpetual inventory system. Purchases are recorded at cost and issues are charged to capital or operating accounts at average cost.
- 05 Physical counts are performed on a rotating basis, at least annually, and adjustments or write-offs required are expensed.
- 06 Each storeroom receives a monthly interest charge based on an annual rate to cover the carrying cost of its inventory. The interest rate is set in advance of the fiscal year and is based on the Company's average cost of short-term borrowing over the preceding twelve months.

Fuel

- 07 Fuel inventories, consisting of oil, coal, gas and fuel additives, are accounted for using the weighted average cost method. This method assigns costs between fuel inventory on hand and fuel consumed on the assumption that fuel is consumed at a weighted average cost of the inventory.
- 08 Each month fuel reports are prepared for every plant showing fuel purchased and consumed and the resulting inventory balance. Consumed fuel is recorded as an expense on the statement of earnings.
- 09 Fuel purchases received by the Company by the end of a reporting period but not yet invoiced by suppliers are included in inventory. The amount of the purchase is accrued and recorded as an accrued liability on the balance sheet.

Deleted: y

Deleted: should be

Formatted: Font: Not Italic

Deleted: valued

Deleted: or replacement value

Formatted: Font: Not Italic

Deleted: Paragraphs 3030.10 to 3030.13

Deleted: at

Deleted: June 18, 2008

Deleted: August 10, 2006

- 10 Physical counts are performed quarterly with any adjustments charged or credited to fuel expense based on the UARB approved fuel manual practices.

Deleted: at least annually

Deleted: June 18, 2008

Deleted: August 10, 2006

DEFINITION

- 01 Current assets that will benefit more than one period will have their cost allocated over the periods they benefit.

POLICIES

- 02 Expenses paid on an annual basis should be recorded as prepaid assets and amortized on a straight-line basis over the months to which the expense applies.
- 03 Prepaid expenses should be presented in the financial statements in accordance with Paragraph 3040.01 of the CICA Handbook.

PROCEDURES

- 04 Annual payments for items such as occupancy taxes, grants in lieu of property taxes, insurance, and computer software maintenance agreement fees are recorded as prepaid expenses.
- 05 These payments are divided by the number of months to which they relate and are amortized to the corresponding expense account using a recurring monthly journal entry.

DEFINITION

- 01 Rate-regulated enterprises such as NSPI have to consider the impact of accounting decisions on revenue requirements and rate stability. If a regulatory authority approves the recovery of certain costs over a period of years in order to smooth fluctuations in rates to the consumer, a future economic benefit equal to the deferred amounts exists and should be recorded as a **deferred asset** for accounting purposes. As the deferred costs are recovered through rates, the expense is matched to the benefit through amortization.

POLICY

- 02 Certain large operating expenditures incurred by NSPI may be considered **material**, and eligible for deferral and amortization, subject to the approval of the UARB. These costs are deferred and amortized over the approved period, rather than expensed and recovered from customers in the year incurred.
- 03 See Section 1560A for a summary of materiality levels by major expenditure type.

DEFINITIONS

- 01 Greenhouse gas emission credit expenditures include costs associated with the acquisition of option credits or investments in projects that would produce emission reduction credits.
- 02 Appropriate expenses include those directly related to the acquisition of options or investments in projects and are incremental in nature, meaning they would not otherwise have been incurred. Internal labour costs are specifically excluded.
- 03 Greenhouse gas emission credits have a potential future economic benefit when they may be sold. NSPI had originally committed to acquisition of emission credits as they would have been a cost effective way to meet emission reduction requirement; however, the Province of Nova Scotia has legislated a hard cap on reductions.

Deleted: as they would be a cost effective way to meet our future emission reduction requirements, thus reducing future cash outflows.

POLICIES

- 04 Greenhouse gas emission credit expenditures should be expensed, in an operating project, until such time as the Controller, NSPI, authorizes the deferral of the project. Once proper authorization has been received, costs that will benefit the Company beyond the current fiscal year will be recorded as deferred charges.
- 05 Deferred greenhouse gas emission credit costs should be charged to fuel expense at the average cost of the credits in deferred charges when the credit is:
1. used to reduce penalties otherwise payable ;
 2. sold; or
 3. when the expectation of the benefit is no longer valid.

Deleted:

Formatted: Font: (Default) Shruti, 12 pt, English (U.S.)

06 If the credits are sold, any gain or loss would be recorded as a gain or loss to fuel expense.

Formatted: English (U.K.)

PROCEDURES

- 07 Greenhouse gas emission credits should be charged at cost to an operating project. An Operating Project Approval Form can be obtained from Corporate Accounting Services (CAS). CAS will assign a new project number to collect costs associated with each project.
- 08 Each project will be tracked separately and recorded at cost.
- 09 Once the project has been determined as viable, as supported by an approved Business Case, the Controller, NSPI can approve the deferral of the project.

Deleted: 06

Deleted: 07

Deleted: 08

Deleted: August 10, 2006

10 Deferred greenhouse gas emission credit costs should be charged to fuel expense at the average cost of the credits in deferred charges when the credit is:

1. used to reduce penalties otherwise payable;
2. sold; or
3. when the expectation of the benefit is no longer valid.

Deleted: 09

11 The value of the credits would be assessed quarterly to ensure that their fair value exceeds the carrying value. If the carrying value is higher than the fair value, the credits will be written down to the fair value with the charge to fuel expense.

Deleted: 10

Deleted: If the credits are sold, any gain or loss would be recorded as a gain or loss to fuel expense. ¶

Deleted: 11

Deleted: August 10, 2006

GENERAL

- 01 The Company accrues a liability for severance programs at the date management commits to a staff reduction plan and a reasonable estimate can be made of the amounts involved.
- 02 Generally accepted accounting principles prescribe severance costs to be expensed in the year management commits to a program;¹ however, the Company's accounting treatment of costs associated with a severance program will depend on the program's total cost and the impact on revenue requirement and rate stability. The justification for treating programs differently based on their costs is described in Policy 6900.
- 03 When the costs of a severance program are not expected to exceed 0.25% of the annual revenue requirement of a given year, they likely will not impact rates if they were charged to operations in a single year. Accordingly, costs associated with these severance programs will be expensed and recovered from customers in the year in which a program is initiated.
- 04 When the costs of a severance program are expected to exceed 0.25% of the annual revenue requirement of a given year, they may impact rates if they were charged to operations in a single year. The Company defers the costs of these severance programs and amortizes them on a straight-line basis over a three-year period, commencing in the year in which a program is initiated.
- 05 Regulatory decisions allowing the recovery of deferred costs through future rates create a future economic benefit or asset equal to the deferred amounts. Amortization matches the cost of that asset to revenue, as the deferred amounts are recovered through allowed rates. Since severance programs are often part of restructuring programs designed to reduce future costs, amortizing the cost of these programs over a three-year period matches the cost of the programs with the resulting cost savings.

POLICIES

- 06 Costs associated with severance programs should be accrued at the date management commits to a staff reduction plan and a reasonable estimate can be made of the amounts involved.
- 07 Where the total cost of a severance program is less than 0.25% of the annual revenue requirement for the year in which management commits to a staff reduction plan, the costs should be expensed in the year of commitment.
- 08 Where the total cost of a severance program is greater than 0.25% of the annual revenue requirement for the year in which management commits to a staff reduction plan, the costs should be deferred and amortized on a straight-line basis over a three-year period, commencing in the year of commitment.

¹ CICA Handbook, 3161,137 and EIC 23134

PROCEDURES

- 09 The total expected cost of a severance program should be accrued in the year that management commits to a staff reduction plan and the benefit arrangement has been communicated to the employees.
- 10 If the program's total expected cost is less than 0.25% of the annual revenue requirement, all costs should be charged to operations and recorded in the applicable general ledger account segments along with a unique project identifier in the accounting flex field that will allow management to monitor the program's cost.
- 11 If the program's total expected cost exceeds 0.25% of the annual revenue requirement, the following expenditures should be recorded as a deferred asset:
- a. employee severance amounts;
 - b. additional pension costs or benefits;
 - c. retirement awards and other allowances;
 - d. employee counselling costs;
 - e. consulting fees, actuarial and legal costs; and
 - f. relocation costs directly attributable to the severance program.
- 12 The accrued liability will be reduced as cash payments are made, while the deferred asset will be amortized to expense monthly, through a recurring journal entry.

DEFINITION

- 01 New business costs include all expenses incurred by NSPI for the development of business opportunities outside the Company's normal sphere of regulated generation and delivery of electricity.¹ Appropriate expenses include those that are directly related to placing the new business venture into operation and are incremental in nature, meaning they would not have been otherwise incurred. Internal labour costs are specifically excluded.²
- 02 A project is considered viable when it is more likely than not that the costs will be recoverable through future operations.² Viability of a project will generally be demonstrated with an approved business case.
- 03 An expenditure is considered to have future economic benefit if it has the ability, either singly or in combination with other assets, to contribute to the future net cash flows of the entity. It must have a definable net cash flow.³

POLICIES

- 04 All costs associated with the development of new business should be expensed, in an operating project, until such time as it can be clearly demonstrated that the project will be viable and the Controller, NSPI has authorized deferral of the project. Once proper authorization has been received, all the appropriate costs should be deferred to the extent that they are expected to be recoverable from future operations.⁴ Deferral of the expenditure should cease once the new business has commenced commercial operations.
- 05 These deferred assets are excluded from the regulated rate base.
- 06 Costs such as internal labour associated with a new business but excluded from the deferred asset are excluded from the calculation of regulated income.
- 07 Deferred costs should be amortized to expense over the period of the expected benefit, not to exceed five years.
- 08 *Periodic reviews of the viability of projects should be undertaken to ensure that the presumption of future benefits is still reasonable. If the carrying value of the deferred costs exceeds the expected future benefit, the excess should be expensed.*⁵

¹ See Section 6900
² CICA Handbook EIC -27
³ CICA Handbook 1000.30
⁴ CICA Handbook ACG -11.10
⁵ CICA Handbook ACG - 11.12

- 09 All NSPI employees who perform work on non-regulated activities should charge an overhead application rate.⁶

PROCEDURES

- 10 All new business costs should be charged to an operating project. An Operating Project Approval Form can be obtained from Corporate Accounting Services (CAS). CAS will assign a new project number to collect costs associated with each new business venture.
- 11 Once the project has been determined as viable, as supported by an approved Business Case, the Controller, NSPI can approve the deferral of existing and future project costs.

⁶

See Policy 6940A

**OVERHEAD APPLICATION RATE
- 6940A**

-
- 01 An overhead charge will apply to labour costs of NSPI employees outside of the corporate support groups relating to affiliate or non-regulated activities. This charge is designed to recover all administrative costs benefiting, but not specifically identifiable with these activities so that ratepayers are not adversely affected.
- 02 The following operating, maintenance and general (OM&G) expense accounts are included in the calculation of the overhead application rate:
- 001 Executive Labour
 - 010 Office Supplies
 - 012 Materials
 - 015 Freight and Postage
 - 016 Tools and Equipment
 - 020 Royalties and Easements
 - 021 Telephone
 - 023 Data Communication Circuits
 - 025 Leasing
 - 027 Corporate Filing Fees
 - 029 Membership Dues
 - 032 Subscriptions
 - 033 Equipment and Software Rental and Maintenance
 - 034 Application Software
 - 035 Computer Hardware and Operating Software
 - 036 Directors' Fees and Expenses
 - 037 Legal and Audit
 - 038 Annual Shareholders Meeting
 - 040 Advertising
 - 042 Employee Benefits (includes Workers' Compensation)
 - 043 Insurance
 - 044 Energy Use
 - 050 Rent
 - 055 Warranty and Service Contracts
 - 056 Conference and Tuition Fees
 - 057 Corporate Support Allocation
 - 058 Personal Equipment
 - 059 Amortization of Prepaid Items
 - 060 Commissions and Bank Charges
- 03 The calculation of the overhead application rate should be reviewed annually by Corporate Accounting Services and communicated throughout the Company.
-

OVERHEAD APPLICATION RATE
- 6940A**EXAMPLE**

04 The overhead application rate would be calculated as follows:

Description	Amount
OM&G Expenses (identified above)	\$50,000,000
Operating Labour	100,000,000
OM&G Expenses as a Percentage of Operating Labour	50%

POLICIES

- 01 Expenditures that benefit the Company beyond the current fiscal year should be recorded as deferred assets.
- 02 Deferred assets should be amortized to earnings on a straight-line basis over the period of expected benefit.

PROCEDURES

- 03 Costs such as discounts on debt issues, pension costs and initial plant operating costs are recorded as deferred charges.
- 04 Charges to earnings are then made evenly over the number of months that the benefits are realized.
- 05 Please refer to Sections 2200 - Foreign Currency Translation; 5800 - Interest; and 2400 - Pension Costs.

OBJECTIVE

- 01 This policy sets out general guidance for accounting for financial instruments and hedging activities at the Tuft's Cove generating station (TUC) and the documentation requirements.
- 02 The Company's remaining financial instruments and hedging activities will adhere to the requirements of the Canadian Institute of Chartered Accountants' Handbook Sections 1530 Comprehensive Income, 3855 Financial Instruments – Recognition and Measurement and 3865 Hedges.

DEFINITIONS

- 03 Derivative instruments designed to mitigate the risk of the Company's exposure to changes in market prices of, for example, natural gas, oil, coal & other commodities, interest rates, and foreign currency exchange rates, will be considered as hedging activities of the Company. All remaining derivative instruments would be considered a part of trading activities.
- 04 Derivative instrument: Is a financial instrument or other contract with all three of the following characteristics: (i) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable (sometimes called the "underlying"), (ii) it requires little or no initial net investment; and (iii) it is settled at a future date. Derivatives include financial instruments used to mitigate the risk to the Company's exposure to changes in market prices of, for example, natural gas, oil, coal, and other commodities. Derivatives include, but are not restricted to, such items as swaps, options, caps, collars, and forwards.
- 05 Fair Market Value: Is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties, who are under no compulsion to act. Information on fair market value measurement considerations can be found in Handbook Section 3855 Financial Instruments – Recognition and Measurement.
- 06 Hedging Relationship: Is a relationship established by the Company's management between a hedged item and a hedging item.
- 07 Hedged Item: Is all or a specified portion of an asset, liability or an anticipated transaction, or group of assets, liabilities or anticipated transactions, having an identified risk exposure that the Company has taken steps to modify.
- 08 Hedging Item: Is all or a specified portion of an asset, a liability or an anticipated transaction, or a group of assets, liabilities, or anticipated transactions, modifying a risk exposure identified in the hedged item.
- 09 Hedge Accounting: Is a method for recognizing the gains, losses, revenues and expenses associated with the items in a hedging relationship, such that those gains, losses, revenues and expenses are recognized in income in the same period when they would otherwise be recognized in different periods.

- 10 Mark-to-Market Accounting: Under the mark-to-market method of accounting, all financial instruments, other than instruments in a valid hedging relationship, are recorded at fair market value through net earnings.

POLICY

- 11 The Company engages in price risk management activities at TUC to manage the Company's exposure to changes in the market prices of natural gas and heavy fuel oil.
- 12 The Company does not use derivative instruments for trading or speculative activities.
- 13 The Company enters into derivative instruments to manage the impact of market fluctuations on assets, liabilities, contractual commitments, and anticipated transactions. The Company defers the impact of changes in the fair market value of these derivative instruments and includes the gains and losses on the derivative instruments in the measurement of the related hedged item when the hedged item is recognized.
- 14 Physical contracts are not marked to market through net earnings. Examples include contracts for natural gas and heavy fuel oil. Physical contracts are recognized through net earnings as the fuel is consumed or resold. Where a physical contract is considered a derivative instrument, the Company defers the net earnings effect to a regulatory asset or liability as appropriate.
- 15 Where practical, the hedge accounting procedures should follow the accounting guidelines set out in CICA Handbook Section 3865 Hedges.

PROCEDURES

- 16 Hedge accounting should apply to all TUC hedging activities in order to ensure gains, losses, revenues and expenses on hedging and hedged items are recognized in the same period(s).
- 17 To ensure the proper accounting of hedging activities, at the inception of the hedging relationship, the Company should document:
- a. The specific risk exposure being hedged in accordance with its risk management objective and strategy, the hedged item, the hedging item, and the intended term of the hedging relationship; and
 - b. The method of accounting for the hedging relationship, including the income recognition of the gains, losses, revenues and expenses associated with the items in the hedging relationship.

- 18 Realized and unrealized gains and losses on derivative instruments used to hedge the fuel activities of TUC should be amortized over the term hedged, which is typically one month. Realized and unrealized gains and losses on derivative instruments used to hedge TUC fuel remaining in inventory at month end should be deferred as a cost or cost recovery of the inventory and expensed to fuel as the inventory is consumed.
- 19 Option premiums paid are amortized over the hedged term.
- 20 The Company does not enter into hedging relationships it expects to be materially ineffective.
- 21 If the Company is required to pay a fee on the signing of an agreement, the fee should be deferred and amortized over the hedged term. Ongoing fees should be expensed as incurred.
- 22 If the hedged item no longer exists and the hedging item is no longer required, the hedging relationship is terminated and the derivative no longer qualifies for hedge accounting. The hedging item is effectively disposed of and any resulting gains and losses should be deferred and recognized as fuel expense in the month the underlying hedging item settles.
- 23 If the timing of the hedged item moves forward or back, the Company changes the timing of the hedging item in order to ensure continued effectiveness of the hedging relationship. Changing the timing of the hedging item usually involves the effective settlement of the initial hedge and obtaining a new hedging item. Any gains or losses on settling the initial transaction should be deferred until recognition and measurement of the hedged item.
- 24 The timing of a hedged item may only move forward or back by a maximum of three months. Should the hedged item move forward or back by an amount of time greater than three months, the Company should assume the hedged item no longer exists and there exists a new risk exposure. The movement or extinction of a hedged item should be evidenced by current forecasts. Any gains and losses on settling the initial transaction should therefore be deferred until recognition and measurement of the hedged item.
- 25 Front Office Staff will be responsible for ensuring the documentation as outlined in this policy is completed. Back Office Staff will be responsible for reviewing documentation to ensure compliance with the accounting policy, and ensuring the appropriate accounting treatment. Middle Office Staff will be responsible for providing Corporate Accounting with any required mark-to-market adjustments on a quarterly basis.
- 26 Due to the complexity of derivative instruments, it is unlikely that all situations have been adequately covered in this Policy. Employees should endeavour to follow the spirit of the Policy and consult with Corporate Accounting as required to ensure a particular derivative instrument is accounted for correctly.

DEFINITION

- 01 The authorized common share capital of the Company consists of an unlimited number of common shares, no par value, one vote per share on all matters to be voted on by shareholders and entitled to receive dividends as declared by the Board of Directors.
- 02 Common shares are shown in the financial statements as issued and outstanding shares.

POLICY

- 03 Common equity, defined as common shares and retained earnings, should be used to maintain an overall capital structure that is within the range(s) approved by the UARB.

PROCEDURES

- 04 The UARB defines the maximum common equity percentage of the total capital structure. In its March 2005 Decision, the UARB approved an increase in the common equity ratio for rate-making purposes from 35% to 37.5% of the total capital structure.
- 05 Share capital may be issued to maintain an appropriate capital structure. These transactions are recorded in general ledger account 750 - Common Shares.

SHAREHOLDERS' EQUITY
COMMON DIVIDENDS - 7120



POLICY

- 01 Dividends to common shareholders should be recorded as declared by authorization of an approved Board of Directors resolution.

PROCEDURES

- 02 When notification is received via a Board of Directors approved resolution, a dividend payable is recorded in the accounting records:

DR	1-780	Dividends - Common	XXXX	
CR	1-610	Dividends Payable		XXXX

- 03 When dividends are paid, the transaction is recorded:

DR	1-610	Dividends Payable	XXXX	
CR	Bank			XXXX

DEFINITION

- 01 Retained earnings consists of net earnings (losses) before dividends, dividends on common shares and other appropriate amounts.¹

Deleted: and preferred shares

Deleted: share issue costs

POLICY

- 02 Retained earnings should be sufficient to maintain the Company's overall capital structure within the ranges prescribed by the UARB.²

Formatted: Indent: Left: 0 pt,
Hanging: 36 pt

PROCEDURE

- 03 Retained earnings shall be calculated for financial statement purposes as follows:

Retained earnings, beginning of period	XXXX
Net earnings before dividends	+
Any transfers from other reserves	+/-
Common dividends	-
Other	+/-
Retained earnings, end of period	XXXX

Deleted: ¶
Preferred dividends

... [1]

¹ CICA Handbook 3251.06.

² Please refer to Section 7100.

Deleted: August 10, 2006

Preferred dividends	-
Share issue costs - common	-

DEFINITION

- 01 The authorized preferred share capital consists of an unlimited number of first and second preferred shares issuable in series. These shares shall have the designations, rights, privileges, restrictions and conditions as determined by the Board of Directors' resolutions.

POLICY

- 02 Preferred shares should be issued in series to maintain an overall capital structure that is within the ranges approved by the UARB.

PROCEDURES

- 03 The UARB, in a March 1993 decision, has stated preferred equity should comprise 8% to 10% of the total capital structure.
- 04 Proceeds from the issue of preferred shares are recorded in general ledger account 770 - Preferred Shares.

POLICY

- 01 Dividends to preferred shareholders are accrued monthly together with the associated income tax liability and are paid based on approved Board of Directors' resolutions.

PROCEDURES

- 02 Preferred dividends are accrued monthly based on an estimate using financial details of the series (dividend rate):

DR	1-785	Dividends – Preferred	XXX	
CR	1-610	Dividends – Payable		XXX

- 03 An adjustment for Part VI.1 tax at 40% of the preferred share dividend is also recorded monthly as part of the dividend accrued during the period.

DR	1-786	Tax on Preferred Dividends	XXX	
CR	1-600	Income Tax Payable		XXX

REORGANIZATION AND PRIVATIZATION

- 01 During 1992, the Province of Nova Scotia passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation (NSPC). In effecting the reorganization, pursuant to the Asset Transfer Agreement effective on August 10, 1992, NSPC transferred all of its existing assets (excluding sinking fund assets), liabilities (excluding long-term debt) and retained earnings to NSPI (the Company) in exchange for:
- a. Matching notes receivable equivalent to outstanding long-term debt, net of matching notes payable equivalent to sinking fund assets; and
 - b. 20.1 million fully paid common shares of the Company, which were subsequently sold on August 12, 1992 by the Province of Nova Scotia as a secondary offering.
- Concurrently, the \$13.3 million of contributed surplus of NSPC was transferred to the retained earnings of the Company.
- 02 Following the reorganization and privatization, the Company continued the business activities of NSPC. NSPC changed its name to Nova Scotia Power Finance Corporation ("NSPFC") and continues to hold the remaining long-term debt and sinking fund assets.
- 03 The reorganization and privatization was accounted using continuity of interest accounting, whereby the assets and liabilities of NSPC were transferred to the Company at their carrying values. The comparative figures in the 1992 financial statements include the results of NSPC from April 1 to August 10, 1992 and the results of the Company thereafter. The Company changed its year-end from March 31 to December 31; resulting in a nine month fiscal period ended December 31, 1992.

GENERAL

- 04 Specific assets and liabilities of the Company are subject to terms and conditions under six agreements: Asset Transfer Agreement, Matching Notes Agreement, Debt Restructuring Agreement, Sinking Fund Notes Agreement, Sale and Assignment of Receivable Agreement and Management and Administration Agreement. These agreements were entered into at the time of Privatization of the Company on August 10, 1992. The specific assets and liabilities are Sinking Fund Notes receivable and Matching Notes payable. These specific assets and liabilities were required, under the above agreements, to be refinanced by December 31, 1997.

POLICY

- 05 Matching notes are combined with long-term debt issued by the Company since privatization and reported net of sinking funds and long-term debt payable in one year, as long-term debt on the balance sheet of its financial statements. Detail of the Matching Notes and long-term debt issued by the Company are reported in the notes to the financial statements. Maturities in gross outstanding principal amounts are reported in total by year for the first future five years and then by total for five year periods up to the last maturity. Along with maturity details, weighted average coupon and cash

required to retire debt and make sinking fund payments are also reported in the notes to the financial statements.¹

- 06 Certain commercial paper where the Company has the intention and the unencumbered ability to refinance the obligation for a period greater than one year is reported as long-term debt on the balance sheet of its financial statements.²

GENERAL

- 07 The debentures are issued under a trust indenture and are unsecured.
- 08 As part of the privatization transaction, the Company issued matching notes to NSPFC in the principal amount of, and substantially the same terms as, the long-term debt owed by NSPFC.
- 09 On privatization the Company and NSPFC committed, subject to certain conditions, to eliminate NSPFC's long-term debt through repayment and defeasance of the matching notes by December 31, 1997. Defeasance requires qualifying assets to be set aside by the debtor to be used solely for satisfying scheduled payments of principal and interest of a specific obligation whereby the possibility that the debtor will be required to make future payments on that debt is remote. As the original NSPFC debt issue is defeased, both the matching note payable and the related matching note receivable are removed from the Company's balance sheet.
- 10 Under the terms of the Defeasance Agreement, subject to certain factors, the minimum amounts of debt to be defeased are as follows:

<i>year</i>	<i>Cumulative Requirement (millions \$)</i>
1993	\$200
1994	500
1995	900
1996	1,150
1997	1,400

MATCHING NOTES

- 11 Matching Notes will remain on the books of the Company until such time as it makes payment of the principal amount of Matching Notes that mature or are redeemable prior to December 31, 1997, to NSPFC. NSPFC, upon receipt of these payments will forthwith repay the corresponding payment obligations on each series of Public Debt, Savings Bonds or Government of Canada Debt as the case may be. Matching Notes which are defeased will be converted from long-term debt to a contingent liability in the Notes to the company's financial statements. The Company remains responsible for any deficiencies in defeasance assets up to the maturity date of the corresponding series.

¹ CICA Handbook, 3210.02-.03.

² CICA Handbook EIC-122

-
- 12 Matching Notes on the Company's books are accounted for on the same basis as the Company's long-term debt issues. Interest is accrued (please refer to Section 8120) and paid semi-annually or annually as defined by the series. Matching Notes payable in a foreign currency are retranslated at each month end (please refer to Section 2200) to reflect the Canadian equivalent of the payable.
- 13 As each series matures or is redeemed the Treasurer's division transfers sufficient funds to a NSPFC bank account. The amount transferred represents the principal amount outstanding plus accrued interest. Accounting for the transfer of funds removes the Matching Note payable from the books of the Company.
- 14 At this time the Company requests, in writing, NSPFC to release the respective Matching Note and Sinking Fund assets. Copies of this written request are delivered to certain accounting and legal groups representing both the Company and NSPFC. If all parties are in agreement, the sinking fund assets are released to the Company by NSPFC. The sinking fund amount allocated to the respective series may include a portion of the respective series as assets. (The respective NSPFC debentures were bought in the market and held as a sinking fund asset effectively extinguishing that portion of the original debenture principle amount issued) In such an instance, the sinking fund assets allocated to the respective series, net of the assets represented by the respective series, are sold by the sinking fund trustee and the proceeds paid to the Company.
- 15 The sinking fund assets held in the respective series are surrendered to the Company for cancellation, if they are held in a certificated position. If they are held in a book base (non-certificated record of your security holdings) position the agent for the custodian will be requested to cancel the investments under instructions from the custodian (Province of Nova Scotia). Upon receipt of payment the Sinking Fund Note receivable is removed from the books of the Company. The Matching Note may not be released at the same time. NSPFC will not surrender the Matching Note to the Company until all respective bondholders have processed their debentures for redemption.
- 16 Accounting for Matching Notes that are defeased is exactly the same as the accounting procedures described above for the remaining Matching Notes up to the point of defeasance. Defeasance requires the Company to surrender qualifying assets to the custodian rather than funding a NSPFC bank account for the principal value and value of related interest of the respective Matching Note. Under the terms of the Management and Administration agreement, the Company is responsible for all deficiencies in defeasance assets up to the maturity date of the corresponding matching note. Since the Company is subject to a potential liability to make up for any deemed or real deficiency, NSPFC will not surrender the respective Matching Note until its maturity date.
- 17 Depending on interest rates prevailing at the time of defeasance of the Matching Notes, the Company may incur costs to effect such defeasance including, but not limited to, (i) the difference between the cost to Company of acquiring the Defeasance Assets and the principal amount of the Matching Notes, (ii) fees and other issuance costs incurred by the Company in respect of new debt arranged by the Company for the purpose of acquiring the Defeasance Assets, and (iii) brokerage and other transaction costs incurred by the Company in acquiring the Defeasance Assets.
-

-
- 18 The Company will amortize the defeasance costs referred to in (i) and (iii) above over the remaining life of the Matching Notes. The Company will amortize new issue costs referred to in (ii) above over a period not exceeding the life of the new debt.
- 19 The Company has the right to sell any defeasance asset held in trust by the custodian if the Company feels the asset is overvalued or is considered to have the potential to create a deficiency in required cash flows. The Company must at the same time replace the defeasance asset sold with another qualifying defeasance asset.

LIABILITIES

DEBT DUE WITHIN ONE YEAR - 8110



POLICIES

- 01 Debt maturing within one year should be disclosed under this balance sheet heading, reducing the corresponding part of the debt structure.¹

¹ CICA 3210.04

ACCRUED INTEREST ON LONG-TERM DEBT - 8120



POLICY

- 01 Interest on long-term debt should be accrued on a 30-day month basis using the principal outstanding and prevailing rate for each debt instrument.

PROCEDURE

- 02 The interest expense for each debt instrument is credited to this account and the resulting payments, as they occur, are charged to this account.

POLICY

- 01 Short-term credit requirements used to maintain the Company's bank accounts as at period end should be presented as "Debt due within one year" on the Balance Sheet with the exception of short-term credit where the Company has the intention and the unencumbered ability to refinance the obligation for a period greater than one year.¹

¹ CICA Handbook EIC-122

LIABILITIES

**ACCOUNTS PAYABLE
AND ACCRUED CHARGES - 8220**



POLICY

- 01 The costs of any goods or services received but not yet paid for and payment is intended in the next 12 months are included as a current liability on the balance sheet.

PROCEDURES

- 02 Goods or services received but not yet invoiced are accrued monthly.
- 03 Accounts payable and accrued liabilities include materials or services received, fuel, oil swaps, payroll and payroll deductions, employee contributions, and other miscellaneous payables.

LIABILITIES

INCOME TAXES PAYABLE - 8300



POLICY

01 Includes all income taxes payable to both levels of government.¹

¹ Please refer to Section 5900.

LIABILITIES

DIVIDENDS PAYABLE - 8400



POLICY

- 01 Includes all accrued and/or declared dividends on both common and preferred shares.¹

¹Please refer to Sections 7120 and 7320.