NOVA SCOTIA POWER
An Emera Company

July 9, 2010

Nancy McNeil
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
1601 Lower Water Street
3rd Floor
Halifax, NS B3J 3S3

Re: <u>NSPI Accounting Policy and Procedures Manual</u>

Dear Ms. McNeil,

On May 14, 2010, a copy of NSPI's Accounting Policy and Procedures Manual (the Manual) was filed with the Board. Updated language was incorporated in the Manual to reflect changes since the Manual was last approved by the Board. The changes were formatted in redline for the Board's reference.

As provided in NSPI's letter dated May 14, 2010 and the meeting with the Board staff and consultants on June 25, 2010, NSPI is implementing the United States' Generally Accepted Accounting Principles ("US GAAP") effective January 1, 2011. KPMG is assisting NSPI with the transition to US GAAP. As well, NSPI's external auditors, Grant Thornton, are completing its review of the revised policies and procedures before these are filed for Board review.

NSPI intends to make three batch filings with the Board as sections of the external auditor review are completed. Please find attached, NSPI's first filing of revisions to the Manual for harmonization with US GAAP. The updates since the Manual was filed on May 14, 2010 are highlighted for the Board's reference. Included in the 24 sections listed in Appendix A (attached) is a copy of Accounting Policy 6960 Accounting for Financial Instruments and Hedging which was filed with the Board on June 30, 2010.

NSPI accounting personnel and advisors will be available to meet with Board staff and consultants, at any point during the review.

The amended versions of the Accounting Policies and a letter from Grant Thornton acknowledging its review of the policies are attached.

For more information, please do not hesitate to contact the undersigned.

Regards,

Eric Ferguson, CMA
Director, Regulatory Affairs
Nova Scotia Power Inc.

Attachments

c: Claudette Porter, CA
J. René Gallant

APPROVAL PROCESS

01 The Nova Scotia Power Inc. ("NSPI") Controller will be responsible for the creation of financial policy and procedures for the Company.

02 All new accounting policies, and significant changes to existing policies, will be presented to the Nova Scotia Utility and Review Board ("UARB") for its approval, and to the external auditors for their review and comments.

Deleted: y

Deleted: y

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 NSPI applies ASC 980 for specific rate regulated accounting policies which are approved by the UARB. Where there is no specific accounting policy identified in the Accounting Policy and Procedures Manual, NSPI will follow the applicable U.S. generally accepted accounting principles for non-regulated entities.

Deleted: sections of the

Deleted: CICA Handbook

Deleted: .¶

Deleted: ¶

Deleted: August 10, 2006

KNOWLEDGE OF COMPANY BUSINESS - 1500

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.

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

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

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.

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 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

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

Deleted: Nova Scotia Power Corporation (

Deleted:)

Deleted: August 10, 2006

NOVA SCOTIA POWER
An Emera Company

Deleted: ¶

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 Nova Scotia Utility and Review Board ("UARB") in 1995 and revised in 1997, for guidelines regarding capital expenditures. Items under the capitalization limits are expensed.

Deleted: UARB

Deleted: routine

Function	Capitalization Level	NSPI Accounting Policy and Procedures Manual Reference
Thermal Generation	$25,000	
Hydro	5,000	
Gas Turbines	5,000	
Transmission	5,000	
Distribution	1,000	6000
Buildings	2,000	
Tools	1,000	
Transportation Equipment	2,000	
Office Equipment	1,000	
Communication Equipment	1,000	
Hardware	10,000	
Telecommunications Equipment	10,000	6215
Software	5,000	6215
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: Section

Deleted: August 10, 2006

Deleted:

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, 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.

Deleted: Local Purchase Orders

Deleted:

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 primary objective of a Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. The information provided in a Statement of Cash Flows, if used with related disclosures and information in the other financial statements, should help investors, creditors and others to do all of the following:

a. Assess the entity's ability to generate positive future net cash flows.
b. Assess the entity's ability to meet its obligations, its ability to pay dividends and its needs for external financing.
c. Assess the reasons for differences between net income and associated cash receipts and payments
d. Assess the effects of any entity's financial position on both its cash and noncash investing and financing transactions during the period. [1]

POLICY

02 The statement of cash flows shall report the cash effects during a period of an entity's operations, its investing transactions, and its financing transactions.[2]

03 Nova Scotia Power Inc. ("NSPI") applies the indirect method of reporting cash flows.

04 NSPI follows the presentation classification of specific cash flows as outlined in FASB ASC 230 – *Statement of Cash Flows*

05 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

[1] FASB Section 230-10-10

[2] FASB Section 230-10-45-1

Deleted: 01

Deleted: the

Deleted:

Deleted: operating, financing and investing activities of the Company and the effects of those activities on cash resources

Deleted: assists financial statements users in evaluating the liquidity and solvency of the Company, in

Deleted: a

Deleted: ing its needs for external financing and in assessing

Deleted: its

Deleted: 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 assists users in assessing the reasons for differences between net income and associated cash receipts and payments by presents information different from that provided in, the other financial statements

Deleted: Cash flows presented in the Statement of Cash Flow should be classified as either

Deleted: by

Deleted: operating activities, financing activities and investing activities

Deleted: In general

Deleted: 3

Deleted: -1, 230-10-10-2

Deleted: CICA Handbook, 1540.03

Deleted: 05-2a

Deleted: CICA Handbook, 1540.12

Deleted: August 10, 2006

h. cash and cash equivalents.

FORMAT

06 Cash flows from operating activities generally involve producing and delivering goods and providing services. Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income. [3] 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.

07 Cash flows from financing activities include obtaining resources from owners and providing them with a return on, and a return of, their investment; receiving restricted resources that by donor stipulation must be used for long-term purposes; borrowing money and repaying amounts borrowed, or otherwise settling the obligation; and obtaining and paying for other resources obtained from creditors on long-term credit. [4] Payments of dividends to common shareholders are disclosed separately on the Statement of Cash Flow.

08 Cash flows from investing activities include making and collecting loans and acquiring and disposing of debt or equity instruments and property, plant, and equipment and other productive assets, that is, assets held for or used in the production of goods or services by the entity (other than materials that are part of the entity's inventory). [5]

09 The classification of cash flows resulting from discontinued operations and extraordinary items will depend on the underlying nature of the item.

10 The amounts of interest paid (net of amounts capitalized) and income taxes paid during the period shall be disclosed.[6]

[3] FASB Section 230-10-20

[4] FASB Section 230-10-20

[5] FASB Section 230-10-20

[6] FASB Section 230-10-50-2

Deleted: Page Break ¶
Deleted: 4
Deleted:
Deleted: [4]
Deleted: 5
Deleted: 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.[5]
Deleted: 6
Deleted: will normally include the acquisition and disposition of operating (*i.e.* plant) and non-operating (*i.e.* investment) assets
Deleted: 7
Deleted: 08
Deleted: Cash flows for
Deleted: , dividends and interest should be disclosed separately.
Deleted: FASB Section 230-10-20
Deleted: FASB Section 230-10-45-11, 230-10-45-12, 230-10-45-13
Deleted: 10-45-11, 230-10-45-12, 230-10-45-13
Deleted: CICA Handbook 1540.18
Deleted: CICA Handbook 1540.34 and 1540.38
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 Nova Scotia Power Inc. ("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 structure[2]) was developed within the financial applications.

04 The province-wide availability of Oracle also allows for more decentralization of tasks. Field users enter their own requisitions directly into the system. 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.

05 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.

Deleted: ¶

Deleted: 04

Deleted: The key users of these systems are Corporate Accounting Services (for the General Ledger) Accounts Payable and Materials Management ¶

Deleted: 05

Deleted: Limited Purchase Orders

Deleted: , and create their own requisitions

Deleted: 06

1 Please refer to NSPI Accounting Policy and Procedures Manual 1500 for details

2 Please refer to NSPI Accounting Policy and Procedures Manual 3100 for details

Deleted: See Section

Deleted: See Section

Deleted: August 10, 2006

ACCESS

06 Oracle assigns user access on the basis of responsibilities. These responsibilities have 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.

Deleted: 07

Deleted: has

07 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).

Deleted: 08

08 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.

Deleted: 09

Deleted: August 10, 2006

INTRODUCTION

01 The Chart of Accounts is updated on a regular basis and posted on the Nova Scotia Power Inc. ("NSPI") intranet. It is filed with the Nova Scotia Utility and Review Board ("UARB") annually.

02 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.

OVERVIEW

03 The account structure utilized by NSPI has been designed to address operational, financial and regulatory requirements. Accordingly, the account structure meets US generally accepted accounting principles financial reporting needs, UARB needs, and internal needs.

04 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

05 **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.

06 **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.

07 **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.

08 **Cost Centre Segment**

The fourth segment indicates the **Cost Centre**. A complete list of all cost centres is provided in the Chart of Accounts.

Deleted: ¶
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:¶ ... [1]

Deleted: 02

Deleted: In order to recognize ... [2]

Deleted: 03

Deleted: User groups should ... [3]

Deleted: 04

Deleted: internal,

Deleted: CICA and

Deleted: and is consistent with ... [4]

Deleted: 05

Deleted: ¶

Deleted: Page Break

Deleted: 6

Deleted: 07

Deleted: Section 3100A and in

Deleted: posted on the NSPI ... [5]

Deleted: **Account Code¶** ... [6]

Deleted: 08

Deleted: in Section 3100B and

Deleted: posted on the NSPI ... [7]

Deleted: **Activity Code¶** ... [8]

Deleted: 09

Deleted: The lowest level of c ... [9]

Deleted: in Section 3100C and

Deleted: posted on the NSPI ... [10]

Deleted: August 10, 2006

09 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.

Deleted: **Cost Centre Code¶**
Major Classification 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¶
¶
10

Deleted: 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.

Deleted: 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¶ ... [11]

Deleted: August 10, 2006

Page 1: [1] Deleted	AI141	6/27/2010 6:06:00 PM

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:

a. expansion of the ***Account Segment***;

b. additional transmission and distribution functions within the ***Activity Segment*** to provide more specific information on expenditures in these areas;

c. overhaul of the ***Cost Centre Segment*** to reflect the extensive reorganization of departments/divisions/VP groups; and

d. the introduction of standardized system codes within the ***Project Segment*** to accumulate costs by major system component.

Page 1: [2] Deleted	AI141	6/27/2010 6:06:00 PM

In order to recognize these changes and enable users to more effectively control their costs, a new Chart of Accounts has been produced.

Page 1: [3] Deleted	AI141	1/6/2010 5:17:00 PM

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.

Page 1: [4] Deleted	AI141	6/30/2010 12:06:00 PM

and is consistent with the ***FERC*** uniform system of accounts.

Page 1: [5] Deleted	AI141	1/6/2010 5:18:00 PM

posted on the NSPI Intranet.

Page 1: [6] Deleted	AI141	1/6/2010 5:18:00 PM

Major Classification	**Account Code 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

Page 1: [7] Deleted	AI141	1/6/2010 5:19:00 PM

posted on the NSPI Intranet.

Page 1: [8] Deleted	AI141	1/6/2010 5:18:00 PM

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

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.

Page 1: [9] Deleted **AI141** **7/2/2010 3:08:00 PM**

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

Page 1: [10] Deleted **AI141** **1/6/2010 5:19:00 PM**

posted on the NSPI Intranet.

Page 2: [11] Deleted **AI141** **7/6/2010 10:24:00 PM**

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 Overhead[1] and Allowance for Funds Used During Construction[2].

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.

[1] Please refer to Section 6230.

[2] Please refer to Section 6240.

GENERAL

01 Generic accounts simply provide a higher level summary of Nova Scotia Power Inc.'s ("NSPI's or the Company's") asset accounts than the break down furnished by the capital and intangible activities. The format conforms to the account descriptions used by the Federal Energy Regulatory Commission ("FERC") in the United States. NSPI's Accounting Policy and Procedures Manual 3350A contains a table that provides a cross reference of the generic accounts reported to the Nova Scotia Utility and Review Board ("UARB") and the activities used to internally track asset costs.

Deleted: 's

Deleted: Appendix A

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.

Deleted: August 10, 2006

iii the costs associated with acquiring land rights.

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 NSPI Accounting Policy and Procedures Manual 6440.

Deleted: (
Deleted: Section
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

Deleted: August 10, 2006

loading, hauling and dumping shall be charged to the project where it is ultimately used.

j. 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.

Capital Contributions

07 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

08 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.

Site Restoration

Deleted: Section Break (Next Page)
Deleted: .
Deleted: ¶
Deleted: R & D Activity ¶
¶
07 Includes eligible S
Deleted: s
Deleted: cientific
Deleted: r
Deleted: Research and Experimental Development, c
Deleted: C
Deleted: apital e
Deleted: E
Deleted: xpenditures.¶
Deleted: 08
Deleted: 09
Deleted: August 10, 2006

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

Deleted: 10

Prime Movers & Generators

10 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: 011

Deleted: following major main

Boiler Plant Equipment

Deleted: <#>.¶
¶

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

Deleted: 12

a. Furnaces

b. Boilers

c. Fuel Preparing Equipment

d. Fuel and Ash Handling Equipment

e. Steam and Feedwater Piping

Electrical Plant

12 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:

Deleted: 13

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

13 Includes the cost of all permanent roads, trails and bridges required to provide access for people and equipment to the Company's buildings, dams and other facilities.

Deleted: 1

Deleted: 4

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.

Reservoirs, Dams & Waterways

Deleted: August 10, 2006

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

Deleted: 15

Deleted: in place

District Heating & Cooling

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

Deleted: 16

Deleted: all district heating & cooling facilities

Poles, Towers and Fixtures

16 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.

Deleted: 17

Please note that poles used jointly for transmission and distribution should be charged to the transmission function poles.

Overhead Conductor

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

Deleted: 18

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

18 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.

Deleted: 19

Station Equipment

19 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.

Deleted: 20

Underground Conduit

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

Deleted: 21

Deleted: circuits

Deleted: ¶

Deleted: August 10, 2006

Underground Conductors

Deleted: Page Break

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

Deleted: 22

Line Transformers - Underground

22 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.

Deleted: 23

Street Lighting

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

Deleted: 24

Meters

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

Deleted: 25

Deleted: and associated labour

Services

25 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.

Deleted: 26

Communication Equipment

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

Deleted: 27

Supervisory Control and Data Acquisition ("SCADA") Equipment

27 Includes the installed cost of all SCADA equipment 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.

Deleted: 28

Deleted: supervisory control and data acquisition system (

Deleted:)

Transportation Equipment

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

Deleted: 29

Deleted: August 10, 2006

Office Equipment

Deleted: Page Break

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

Deleted: 30

Shop Equipment

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

Deleted: 31

Leases and Leasehold Improvements

31 Includes the installed cost of all leases and leasehold improvements.

Deleted: 32

Computer Equipment

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

Deleted: 33

Deleted: equipment

Laboratory Equipment

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

Deleted: 34

Stores Equipment

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

Deleted: 35

Mining Equipment

35 Includes the value of all mining assets owned by NSPI.

Deleted: 36

Non-utility

Deleted: **Intangible**

36 Includes the installed cost of all intangible assets that are part of the Company's long-term investment to provide service to the rate payers 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: 37

Deleted: public

Deleted: August 10, 2006

FINANCIAL REPORTING SYSTEM

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			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	
	Mobile Radio Infrastructure	063						X	
SCADA Equipment	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	
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: Intangible

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 Nova Scotia Power Inc. ("NSPI").

a. Prepare budget item and enter into Power Plant[1] ("PP") as a Capital Item ("CI");

Deleted: Capital Management System

b. Review and revise the CI item (if necessary);

Deleted: CMS

Deleted: (if necessary)

c. Approval by Investment Review Team ("IRT") of CI for inclusion in Annual Capital Expenditure ("ACE") Plan;

d. Approval of the ACE Plan by the Nova Scotia Utility and Review Board ("UARB");

e. Internal approval of CI in PP if project is under $1 million and part of the approved ACE plan;

Deleted: d

Deleted: CMS

f. Activate CI in PP to generate a Work Order number;

Deleted: e

Deleted: CMS

g. If the project is over $1 million, IRT will review and revise the CI before submitting to the UARB;

Deleted: f

Deleted: or not part of the ACE plan (a U&U item)

Deleted: Utility And Review Board (

Deleted:)

h. If the project is not part of the approved ACE plan, the following occurs:

a) If the project is less than $250 thousand the NSPI Leadership Team will approve.

b) If the project is between $250 thousand and $500 thousand the NSPI Leadership Team will approve before submitting to the UARB.

c) If the project is between $500 thousand and $1 million the NSPI Executive will approve before submitting to the UARB.

Deleted: ;

Deleted: ¶

i. Approval of CI by UARB;

Deleted: g

j. Activate CI in PP to generate a Work Order number;

Deleted: h

Deleted: CMS

[1] Power Plant is NSPI's Capital Software System

Deleted: August 10, 2006

k. Set up the capital work order in CWIP;

l. Summarize and control charges;

m. Change status of work order from CWIP to Operational ("OPS") when asset goes in service and is being used to generate revenue;

n. 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;

o. Depreciate PPE item; and

p. Retire item through retirement capital work order.

Deleted: i

Deleted: j

Deleted: k

Deleted: l

Deleted:

Deleted: m

Deleted: n

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.

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.

Deleted: T

Deleted: it is

Deleted: The journal entry to charge land

Deleted: , including costs,

Deleted: to a capital work order is:
DR 2-012-001-XXX-XXXX Materials

Deleted: XXXX

Deleted:
CR 1-300-000-000-0000 Cash or Payable

Deleted:

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, and telecommunications equipment as well as software development projects with a cost in excess of the amount prescribed in NSPI Accounting Policy and Procedures Manual 1560A should be capitalized.

02 Large software development and implementation projects can include the following third party and internal costs:

a) Costs in the preliminary stages of the project associated with evaluating alternatives and assessing costs and benefits in order to fully develop the software project.
b) Data conversion costs
c) Training required prior to the software becoming operational

03 Please refer to NSPI Accounting Policy and Procedures Manual 6000 for capitalization criteria and NSPI Accounting Policy and Procedures Manual 6100 for a description of amounts to be included in the cost of capital expenditures.

Deleted: HARDWARE AND SOFTWARE

Deleted: Section

Deleted: ¶

Deleted: 02 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 Software development projects with a budgeted cost in excess of the amount prescribed in Section 1560A should be capitalized.¶
¶

Deleted: ¶

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 basis over the period covered by the agreement.¶
¶
06 Software maintenance labour should be charged to expense ... [1]

Deleted: 08

Deleted: Please refer to Section 6000 for an explanation of the capitalization criteria and Section 6100 for a description of amour ... [2]

Deleted: Large software development and implementation projects include the cost of third party and internal resources for evalu ... [3]

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.

TELECOMMUNICATIONS EQUIPMENT

07 Small purchases of telecommunications equipment that are not included in a capital work order may be budgeted and expensed using operating accounts

Page 1: [2] Deleted	Al141	7/4/2010 10:54:00 PM

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.

Page 1: [3] Deleted	Al141	7/4/2010 10:54:00 PM

Large software development and implementation projects include the cost of third party and internal resources for evaluating alternatives and assessing costs and benefits in order to fully develop the capital project. They also include the cost of all data conversion and training required prior to the software becoming operational.

PURCHASE PRICE DISCREPANCY - 6250

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 Nova Scotia Utility and Review Board ("UARB").

POLICY

02 Purchase price discrepancies should be recorded as assets.

03 Purchase price discrepancies are not included in rate base[1]. Purchase price discrepancies are amortized[2].

Deleted: Section 1520 states

Deleted: p

Deleted: Section 5320 discusses the amortization of

Deleted: p

[1] Please refer to NSPI Accounting Policy and Procedures Manual 1520 for details.

[2] Please refer to NSPI Accounting Policy and Procedures Manual 5320 for details.

Deleted: August 10, 2006 Accounting Policy and Procedures Manual Page 6250-1

TRANSFER VALUES - 6260

POLICY

01 The cost and accumulated depreciation of capital assets transferred from one function to another within Nova Scotia Power Inc. ("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.

Deleted: August 10, 2006

REDUNDANT ASSETS - 6340

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].

PROCEDURE

03 Assets that are identified as being redundant are evaluated to assess whether they should be returned to inventory, retired[2] or transferred to another location[3].

Deleted: scrapped or

Deleted: or account

Deleted: ¶
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***.[4]

[1] Please refer to NSPI Accounting Policy and Procedures Manual 1520 for details.

[2] Please refer to NSPI Accounting Policy and Procedures Manual 6420 for details.

[3] Please refer to NSPI Accounting Policy and Procedures Manual 6260 for details.

Deleted: Section

Deleted: August 10, 2006

Deleted:

CASH - 6500

POLICIES

01 Cash should be presented in the financial statements in accordance with FASB ASC Section 305-10.

02 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).

Deleted: 1

03 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.

Deleted: 2

04 Separate disclosure shall be made for cash and cash items which are restricted as to withdrawal or usage.

PROCEDURES

05 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.

Deleted: 4

Deleted: 3

Deleted: preformed

06 If the net total of the bank accounts is in a credit position (overdraft), the recurring entry to record the reclassification is:

Deleted: 5

Deleted: 4

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

Deleted: August 10, 2006

SHORT-TERM INVESTMENTS - 6550

GENERAL

01 There may be times when the amount of cash on deposit in Nova Scotia Power Inc.'s ("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 NSPI Accounting Policy and Procedures Manual 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 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. These rates will be compared to the rates NSPI can receive from deposits in its Business Investment Account ("BIA").

07 When interest on short-term investments is earned, it is credited to interest income.

08 Please refer to NSPI Accounting Policy and Procedures Manual 5800 for a more detailed discussion of the accounting treatment for interest income.

Deleted: Section

Deleted: Corporate

Deleted: ¶
¶
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

Deleted: 08

Deleted: mature

Deleted: the interest earned

Deleted: short-term interest expense

Deleted: 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

Deleted: Section

Deleted: August 10, 2006

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] Nova Scotia Power Inc. ("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.

03 Receivables are considered financial instruments for accounting purposes.

POLICIES

04 All receivables (trade and non-trade) are classified as loans and receivables and follow an amortized cost model. Receivables that have a relatively short period (less than one year) of time to maturity are not adjusted to reflect discounting as the effect is considered de-minimus. This excludes derivatives which are accounted for using a fair value model.

05 Receivables should be recorded at fair value when the transaction, giving rise to the receivable, has occurred.

06 An allowance for doubtful accounts should be recorded to adjust receivable balances to amounts that will ultimately be collected by NSPI.

PROCEDURES

07 **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:

---

[1] FASB ASC Paragraph 210-10-S99-1

Deleted: 03

Deleted: ¶
Trade receivables should be recorded when customers are billed at fair value.¶

Deleted: 4

Deleted: Non-trade r

Deleted: 5

Deleted: 6

Deleted: CICA Handbook, 3020.01

Deleted: August 10, 2006

Deleted: December 31, 2009

Deleted: June 16, 2010

330 Electric Service Receivables
335 Large Customer Receivables

08 Non-trade Business Receivables

Deleted: ¶
Page Break
Deleted: 7

Non-trade business receivables include demand side management ("DSM") financing receivables, financial derivatives, contract receivable, accrued interest receivable and financing contracts for water heaters and ETS units. DSM financing 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:

Deleted: oil swap
Deleted: arbitration
Deleted: Oil swap
Deleted: Arbitration
Deleted: c

334 DSM Financing 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 Contract

09 Nontrade Employee Receivables

Deleted: 0
Deleted: 8

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

Deleted: August 10, 2006
Deleted: December 31, 2009
Deleted: June 16, 2010

Deleted: 09

10 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:

Deleted: ¶

Deleted: 330 Customer Service Receivables

337 Miscellaneous Receivables
352 Returns to Suppliers
354 Other Receivables

11 Provincial Sales Tax ("PST") Rebate Receivables

PST rebate receivables are recorded in general ledger account 338.

Deleted: 10

12 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. 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

Deleted: 2

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

Deleted: August 10, 2006

Deleted: December 31, 2009

Deleted: June 16, 2010

PREPAID EXPENSES - 6800

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 FASB ASC 210-10-45-2 and FASB ASC 210-10-45-1(g) as a current asset.

Deleted: Paragraph 3040.01 of the CICA Handbook

Deleted: Paragraph

Deleted: **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.¶

Deleted: August 10, 2006

OBJECTIVE

01 The Company's financial instruments will adhere to the requirements of US Generally Accepted Accounting Principles (US GAAP) including ASC 815 – Derivatives and Hedging.

02 This policy sets out general guidance for accounting for certain financial instruments and hedging activities of the Company and the documentation requirements.

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) its terms require or permit net settlement. Derivatives include financial instruments used to mitigate the risk of 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.

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 proportion of a derivative financial instrument acquired to modify the changes in cash flows or fair values arising from the 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.

Deleted: <#>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

Deleted: remaining

Deleted: and hedging activities

Deleted: the Canadian Institute of Chartered Accountants' Handbook Sections 1530 Comprehensive Income, 3855 Financial Instruments – Recognition and Measurement and 3865 Hedges

Deleted: instrument

Deleted: it is settled at a future date

Deleted: to

Deleted: Information on fair market value measurement considerations can be found in Handbook Section 3855 Financial Instruments – Recognition and Measurement.

Deleted: an asset, a liability or an anticipated transaction, or a group of assets, liabilities, or anticipated transactions,

Deleted: ing

Deleted: a

Deleted: 2009

Deleted: 6950

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.

Deleted: then

POLICY

11 The Company engages in risk management activities to manage the Company's exposure to changes in the market prices of commodities, foreign exchange and interest rates.

Deleted: price

Deleted: at TUC

Deleted: natural gas and heavy fuel oil

12 The Company does not use derivative instruments for trading or speculative activities. All derivative instruments are entered into for risk management purposes and should adhere to this policy and these procedures.

13 The Company manages its commodity risk management activities in accordance with its Fuel Manual and Risk Management Policy as approved from time to time by management of the Company.

14 The Company manages its foreign exchange risk management activities in accordance with its Currency Risk Management Policy as approved from time to time by management of the Company.

15 The Company manages its interest rate risk management activities in accordance with its Interest Risk Management Policy as approved from time to time by management of the Company.

16 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 to a regulatory asset or liability and includes the gains and losses on the derivative instruments in the measurement of the related hedged item when the hedged item is recognized.

17 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 under US GAAP, the Company defers the net earnings effect to a regulatory asset or liability as appropriate.

18 The Company does not test or measure the effectiveness of its derivative instruments used as hedges. The derivative instruments used as hedges in accordance with the Company's risk management policies are assumed to be 100% effective.

Deleted: ¶
<#>Where practical, the hedge accounting procedures should follow the accounting guidelines set out in

Deleted: <#>CICA Handbook Section 3865 Hedges

Deleted: <#>.¶

PROCEDURES

19 Hedge accounting should apply to all hedging activities of the Company in order to ensure gains, losses, revenues and expenses on hedging and hedged items are recognized in the same period(s).

Deleted: TUC

20 To ensure the proper accounting of hedging activities, at the inception of the hedging relationship:

Deleted: , the Company should document

Deleted: 2009

Deleted: 6950

a. The front office should ensure the hedging activity is in compliance with the appropriate risk management policy;

b. The front office should document 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;

c. The front office should have the latest quarterly forecast to support the specific risk exposure; and

d. The documentation should be approved by the preparer of the document, the manager of the back office, and the manager responsible for the front office.

21 At each quarter end, the fair value of derivative instruments used to hedge are recognized on the balance sheet as either a held-for-trading asset or a held for trading-for-trading liability. Changes in fair value should be recognized as either a regulatory asset or regulatory liability, as appropriate.

22 At each quarter end, any held-for-trading assets, held-for-trading liabilities, regulatory assets, and regulatory liabilities denominated in a foreign currency should be translated at the month end foreign exchange rate.

23 Realized and unrealized gains and losses on derivative instruments used to hedge risk management activities should be amortized in a systematic and rational basis over the term of the hedged item.

24 Realized and unrealized gains and losses on derivative instruments used to hedge fuel purchases should be included as part of the cost of the fuel as the hedged item is realized.

25 Realized and unrealized gains and losses on derivative instruments used to hedge capital projects should be included as a cost of the project as the hedged item is realized and expensed to depreciation expense as the project is depreciated.

26 Realized and unrealized gains and losses on derivative instruments used to hedge interest rates should be included in the measurement of the hedged interest expense using the effective interest method.

27 Foreign currency denominated financial assets and liabilities should be measured at the period end rate. Any hedged foreign currency exposure should be deferred to a regulatory asset or liability and will reverse when the hedged financial assets and liabilities settle.

28 Option premiums paid are amortized over the term of the option.

29 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.

30 If the hedged item no longer exists and the hedging item is no longer required, the hedging relationship is terminated. The hedging item is effectively disposed of and any resulting gains and losses should be deferred in a regulatory asset or regulatory liability and recognized in the same

Deleted: The

Deleted: 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

Deleted: the fuel

Deleted: of TUC

Deleted: , which is typically one month

Deleted: TUC

Deleted: remaining in inventory at month end

Deleted: deferred

Deleted: as a

Deleted: or cost recovery

Deleted: inventory

Deleted: and expensed to fuel as the inventory is consumed

Deleted: 19

Deleted: hedged

Deleted: ¶
20 The Company does not enter into hedging relationships it expects to be materially ineffective.¶

Deleted: 21

Deleted: 22

Deleted: and the derivative no longer qualifies for hedge accounting

Deleted: 2009

Deleted: 6950

balance sheet or income statement item that would have been used had the hedged item still existed in the month the underlying hedging item settles.

31 If the timing of the hedged item moves forward or back, the Company may change 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 as a regulatory asset or regulatory liability until recognition and measurement of the hedged item. Any new hedging item should be accounted for in accordance with this policy.

32 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.

33 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.

TRANSITIONAL PROVISIONS

34 This policy is effective January 1, 2011 and should be applied retroactively with restatement of prior periods except as outlined below.

35 Any item of property, plant and equipment, construction work-in-progress and intangibles recognized prior to January 1, 2011 should be translated at the foreign exchange rate used prior to January 1, 2011.

36 Any required transitional adjustment as a result of the change in foreign exchange rates applied to regulatory assets and liabilities as compared to accumulated other comprehensive income should be deferred and recognized in foreign exchange expense as the related derivative settles beginning January 1, 2011.

37 Any other required transitional adjustment as a result of implementing the policy (most likely due to ineffectiveness recognized prior to January 1, 2011) should be deferred and expensed over the weighted average life of the related derivatives beginning January 1, 2011.

38 All transitional adjustments should be to the balance sheet only. Net earnings of years prior to 2011 will not be restated.

Deleted: as fuel expense

Deleted: 23

Deleted: s

Deleted: ¶
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.¶

Deleted: 25

Deleted: Middle Office Staff will be responsible for providing Corporate Accounting with any required mark-to-market adjustments on a quarterly basis.

Deleted: 26

Deleted: 2009

Deleted: 6950

COMMON SHARES - 7100

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 Nova Scotia Utility and Review Board ("UARB").

PROCEDURES

04 The UARB defines the maximum common equity percentage 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.

Deleted: 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.

Deleted: August 10, 2006

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

Deleted: August 10, 2006

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 or entered into Oracle are accrued monthly.

03 Accounts payable and accrued liabilities include fuel, materials or services received, payroll and payroll deductions, employee contributions, and other miscellaneous payables.

Deleted: materials

Deleted: fuel, oil swaps,

Deleted: August 10, 2006

DIVIDENDS PAYABLE - 8400

POLICY

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

02 Dividends payable for cumulative preferred shares are in accordance with the terms of the preferred shares.

[1]Please refer to NSPI Accounting Policy and Procedures Manual 7120 and 7320.

Deleted: Sections

Deleted:

Deleted: August 10, 2006

Grant Thornton

July 8, 2010

Ms. Claudette Porter, CA
Controller
Nova Scotia Power Inc. ("NSPI" or the "Company")
1894 Barrington Street
Barrington Tower
Halifax, NS B3J 2A8

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1

T (902) 421-1734
F (902) 420-1068
www.GrantThornton.ca

Dear Ms. Porter:

Re: NSPI Accounting Policies and Procedures Manual sections "1000, 1500, 1560A, 1580, 2100, 3000, 3100, 3350, 3350A, 6200, 6210, 6215, 6250, 6260, 6340, 6500, 6550, 6600, 6800, 7100, 7120, 8220, 8400".

We recently received your request to review the above noted accounting policies and procedures of NSPI included in the Company's Accounting Policies and Procedures Manual (the "Manual"). You have asked us to review the appropriateness of the proposed accounting policies under US generally accepted accounting principles ("US GAAP") for regulated entities.

The accounting policies and procedures selected by the Company are the responsibility of management. As outlined in the Introduction to the Accounting Manual Section 1000, NSPI applies ASC 980 for specific rate regulated accounting policies which are approved by the Nova Scotia Utility Review Board. Where there is no specific accounting policy identified in the Manual, NSPI will follow the applicable U.S. generally accepted accounting principles for non-regulated entities.

Based on our review of the above noted proposed accounting policies and procedures, we wish to confirm there is nothing that has come to our attention which contradicts US GAAP for regulated entities. Our review is based on the accounting standards in effect as at the date of this letter. Should there be future changes to US accounting standards, the Company's Manual may need to be updated.

If you have any questions, please contact us.

Yours very truly,

Grant Thornton LLP

G. Hutchings, CA
Partner

Grant Thornton

June 28, 2010

Ms. Claudette Porter, CA
Controller
Nova Scotia Power Inc.
1894 Barrington Street
Barrington Tower
Halifax, NS B3J 2A8

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1

T (902) 421-1734
F (902) 420-1068
www.GrantThornton.ca

Dear Ms. Porter:

Re: Proposed hedging accounting policy 6960

We recently received your request to review the proposed accounting policy 6960 for hedging activities of Nova Scotia Power Inc. ("the Company") which is effective beginning in fiscal 2011. You have asked us to confirm the appropriateness of the proposed accounting treatment under US generally accepted accounting principles ("US GAAP").

Based on our review of the proposed accounting policy for hedging activities, attached as Appendix A, we wish to confirm we are in agreement with the conclusions and positions taken by management and that the proposed accounting treatment is appropriate under US GAAP.

If you have any questions, please contact us.

Yours sincerely,
Grant Thornton LLP

Grant Thornton LLP

G. Hutchings, CA
Partner