NOVA SCOTIA
POWER
An Emera Company

September 13, 2010

Nancy McNeil
Clerk of the Board
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
P.O. Box 1692, Unit "M"
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) that reflects NSPI's current accounting policies and procedures was filed with the Board. Updated language was incorporated to reflect changes in processes and other details since the Manual was last approved by the Board. The updates were formatted in redline for the Board's reference.

As described in NSPI's letters dated May 14, 2010 and July 9, 2010 and at 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. NSPI is drafting amendments to its policies and requesting a formal review from its external auditors, before submitting these to the Board for its review and approval. NSPI intends to make three batch filings with the Board as sections of the external auditor review are completed. NSPI filed the first batch with the Board on July 9, 2010 which included 24 policies. NSPI met with the Board's consultants on August 4, 2010 to review the first batch.

Please find attached NSPI's second 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 this filing are three new sections added to the Manual which are 5110 Fuel Adjustment Mechanism, 1530 Regulated Return on Equity, and 6225 Intangibles. In addition two sections which are no longer applicable were removed. The sections which have been removed are 6925 Greenhouse Gas Emission Credits and 6950 Other Deferred Costs. Appendix A lists the 29 sections included in this filing.

NSPI respectfully requests the Board review the amended Accounting Policies submitted as Batch 2.

NSPI would be pleased to have its accounting personnel and advisors meet with the Board, or its consultants, at any point during the review if the Board would consider this helpful.

The amended versions of the Accounting Policies and a letter from Grant Thornton acknowledging their 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.

Encl.

c: Claudette Porter, CA
J. René Gallant
Bruce Outhouse, Q.C.
Heather Keeler-Hurshman, CA

Appendix A:

1520	Rate Base
1530	Regulated Return of Equity
1540	Audit, Nominating and Corporate Governance Committee
1560	Materiality
1570	Cost Allocation Policy
2200	Foreign Currency Translation
4100	Electric Revenue
5100	Fuel and Power Purchased
5110	Fuel Adjustment Mechanism
5200	Operating, Maintenance & General
5310	Amortization – Capital Contributions in Aid of Construction
6000	Capitalization of Cost
6100	Cost
6140	Cost Components and Elements
6220	Capital Contributions in Aid of Construction
6225	Intangibles
6240	Allowance for Funds Used During Construction
6360	Long Lived Assets to be disposed of by Sale
6420	Retirement and Disposal of Capital Assets
6440	Gain or Loss on Disposition of Capital Assets
6650	Unbilled Revenue Receivable
6700	Inventories
6930	Termination Costs
6940	New Business Costs
6940A	Overhead Application Rate (New Business Costs)
7200	Retained Earnings
8110	Debt due within One Year
8120	Accrued Interest on Long-term Debt
8200	Bank indebtedness

NOVA SCOTIA POWER
An Emera Company

DEFINITION

01 Rate base is comprised of the net value of certain assets upon which Nova Scotia Power Inc. ("NSPI") can earn a specified rate of return. The rate base and rate of return are approved by the Nova Scotia Utility and Review Board ("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;
- b. Construction Work-in-Progress;
- c. Allowance for materials and supplies;
- d. Allowance for working capital;
- e. Deferred charges and credits;
- f. Contract receivable resulting from the settlement between NSPI and its natural gas supplier.

04 The excess of the purchase price paid for an acquired company over the amount to be included in rates as approved by the UARB 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: Net plant in service
Deleted: tangible
Deleted: b
Deleted: and
Deleted: c
Deleted: cash
Deleted: as approved by the UARB
Deleted: Long term
Deleted: net book value of its assets
Deleted: November 30, 2006
Deleted: December 31, 2009
Deleted: August 10, 2006

REGULATED RETURN ON EQUITY- 1530

BACKGROUND

01 The Nova Scotia Utility and Review Board ("UARB") approved Nova Scotia Power Inc.'s ("NSPI's") Return on Equity ("ROE") range and common equity ratio for rate making purposes.

POLICIES

02 NSPI files with the UARB their actual regulated return on equity and regulated average common equity annually.

03 The regulated return on equity is calculated quarterly based on actual equity and actual net earnings as per NSPI's regulated financial statements. The regulated net earnings for the current year is divided by the quarterly average equity for the current year. The quarterly average equity includes the last quarter of the prior year.

04 The regulated average common equity is calculated quarterly based on actual capital structure and actual equity as per NSPI's regulated financial statements. The regulated quarterly average equity for the current year is divided by the quarterly capitalization for the current year. The quarterly average equity and capitalization includes the last quarter of the prior year.

AUDIT, NOMINATING AND CORPORATE GOVERNANCE COMMITTEE - 1540

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 Nova Scotia Utility and Review Board ("UARB") in its Order NSUARB-NSPI-P-875 dated December 3, 2002, Schedule "C" Board Directives, Nova Scotia Power Inc. ("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 (including internal control over financial reporting, as required by applicable Canadian and U.S. Federal securities laws) and requires management to implement and maintain the appropriate systems and assesses the adequacy and effectiveness of those systems. The Committees' responsibilities are outlined in the Audit Committee Charter.

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: ¶
Section Break (Next Page)

Deleted: August 10, 2006

Deleted: December 31, 2009

MATERIALITY - 1560

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. .The omission or misstatement of an item in a financial report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item.

Formatted: Justified

Deleted: An item is considered material if it is probable that its omission or misstatement would influence or change a decision

Deleted: [1]

MATERIALITY LIMITS

02 Nova Scotia Power Inc. ("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 by major function are detailed in NSPI Accounting Policy and Procedures Manual Section 1560A.

POLICIES

04 Expenditures for amounts less than the stated capitalization limits should be charged to operations as they are incurred.

Deleted: materiality

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.

Deleted: 06 Materiality and capitalization limits should be reviewed annually by Corporate Accounting Services to determine their continued applicability. Revisions to the materiality limits should be made in accordance with the procedures in Section 1000.

Deleted: August 10, 2006

Deleted: December 31, 2009

Formatted: Justified

GENERAL

01 Nova Scotia Power Inc. ("NSPI") is the primary operating subsidiary of Emera Inc, a diversified energy company based in Halifax, Nova Scotia

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 between NSPI and its affiliates.

03 NSPI will ensure that corporate support services costs, general expenses, and other costs, including overhead, are fairly allocated between 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.

POLICY

05 Section 6.11 of the affiliate Code of Conduct which is approved by the Nova Scotia Utility and Review Board ("UARB") 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.

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:

a. Identify cost centres that provide corporate support services to both the regulated utility and affiliates;
b. 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 "common" and are shared by affiliates.
c. Select an allocation methodology considering industry practice and the situation most relevant to NSPI and its affiliates;
d. Using the allocation methodology selected, calculate the amount to be charged to NSPI and its affiliates including overhead load where applicable; and

Formatted: Bullets and Numbering

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

Deleted: 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.

Deleted: to

Deleted: to

Deleted: 10

Deleted: , these costs are to be charged to a specific project code within the account combination to ensure they are not allocated to affiliated companies.

Deleted: shared or

Deleted: Review industry practices, research and other jurisdictions' allocation procedures for possible alternative cost allocation methodologies.

Deleted: used by other jurisdictions

Deleted: August 10, 2006

Deleted: December 31, 2009

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 or more frequently if required.

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. Environmental Policy and Procedures
g. Procurement and Real Estate
h. Information Technology

DIRECT EXPENSE ALLOCATION

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

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.

Deleted: <#>Corporate Security

Deleted: <#>Executive

Formatted: Bullets and Numbering

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

Deleted: Corporate

Deleted: and Accounting

Deleted: Corporate Human Resources

Deleted: <#>Government Relations¶

Formatted: Bullets and Numbering

Deleted: <#>Government Relations and Public Affairs

Deleted: <#> – no longer applicable¶

Formatted: Bullets and Numbering

Deleted: <#>Risk Management

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

Deleted: e

Deleted: 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: August 10, 2006

Deleted: December 31, 2009

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 Vehicles – Number of vehicles uses the relative proportion of vehicles owned or leased for each affiliate.

19 Asset Value – Asset value uses the relative proportion of total assets owned for each affiliate.

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

21 Service Level Agreements

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:

a. identifying cost centres that provide services to both NSPI and its affiliates;
b. choosing allocation cost drivers in conjunction with the service providers;
c. identifying and calculating an appropriate overhead allocation factor to be charged to NSPI's affiliates;
d. processing the monthly allocation of common corporate support services costs and overhead load to NSPI's affiliates;
e. 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;
f. re-evaluating the cost drivers and cost centres on an annual basis to assess their reasonableness.

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

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

Deleted: <#>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.¶

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

Formatted: Bullets and Numbering

Formatted: Bullets and Numbering

Formatted: Underline

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"

Formatted: Highlight

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

Formatted: Bullets and Numbering

Formatted: Bullets and Numbering

Deleted: 2.1

Deleted: NSPI

Deleted: August 10, 2006

Deleted: December 31, 2009

demonstrable benefit to NSPI customers, when compared with all other available options.

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.

Formatted: Bullets and Numbering

Deleted: 10

DEFINITIONS

Formatted: Bullets and Numbering

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

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 more overall factors (also known as general allocators).

Formatted: Bullets and Numbering

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.

Formatted: Bullets and Numbering

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.

Deleted: August 10, 2006

Deleted: December 31, 2009

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, contributed surplus, retained earnings and total short and long-term debt.

Deleted: In determining the allocation to affiliates, affiliate capital also includes foreign exchange translation adjustments and goodwill where applicable.¶

Deleted: August 10, 2006

Deleted: December 31, 2009

POLICIES

01 The functional currency of the company is Canadian dollars. Monetary assets and liabilities denominated in a foreign currency are converted to the functional currency at the rate of exchange prevailing on each balance sheet date.

02 All exchange gains and losses resulting from the remeasurement of monetary assets and liabilities that are not denominated in the functional currency are recognized in income.[1]

03 Non-monetary items should be recorded at historical exchange rates at the date of purchase or acquisition.

04 At the date a foreign currency transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction shall be recorded in the functional currency of the recording entity[2]

05 When a foreign currency transaction is hedged, the rate established by the terms of the hedge should be used.

06 **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.

[1] FASB ASC 830-10-45-17

[2] FASB ASC 830-10-45-17

Deleted: c

Deleted: 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]

Deleted: To accomplish that result, it is also necessary to recognize currently in income all exchange gains and losses from remeasurement of monetary assets and liabilities that are not denominated in the functional currency

Deleted: Differences between the translation at transaction date and the translation at the balance sheet date are charged to operations

Deleted: .[2]¶

Deleted: 02

Deleted: 03

Deleted: .[3]

Deleted: 04

Deleted: 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 ... [1]

Deleted: 05

Deleted: [4]

Deleted: 06 **Interest Expense ¶**
¶
Interest on long-term debt is recorded ... [2]

Deleted: August 10, 2006

Page 1: [1] Deleted	AI141	9/3/2010 9:36:00 AM

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

Page Break

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.

Page 1: [2] Deleted	AI141	8/30/2010 2:17:00 PM

06 **Interest Expense**

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

POLICIES

01 The Company records revenue from the sale of electricity to customers at rates approved by the Nova Scotia Utility and Review Board ("UARB").

02 Revenues are recognized in accordance with *FASB ASC Topic 605*-10-25 and S25 Revenue Recognition*.*

03 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

04 **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.

05 Revenue associated with the Fuel Adjustment Mechanism ("FAM") is recorded in accordance with Nova Scotia Power Inc.'s ("NSPI's") Accounting Policy and Procedure Manual Section 5110.

06 **Unbilled Electric Revenue**

An estimate of unbilled electrical revenue and related kWh statistics is recorded by customer classification.

Deleted: UARB

Deleted: and net of taxes.

Deleted: 2

Deleted: 03

Deleted: 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 ... [1]

Deleted: 04

Deleted: The journal entry for the accrual of unbilled electrical service is as follows:¶
¶
Account Number Debit Cr ... [2]

Deleted: August 10, 2006

Deleted: December 31, 2009

Page 1: [1] Deleted	AI141	9/1/2010 9:03:00 PM

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
GRID Sales	170		XXX
HST Payable	575		XXX

Page 1: [2] Deleted	AI141	9/1/2010 9:03:00 PM

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.

05

FUEL AND POWER PURCHASED - 5100

DEFINITIONS

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

Deleted: coal

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.

Deleted: [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 the settlement of derivative transactions are also included in fuel expense.

Deleted: Adjustments

05 **Power Purchases**

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

Deleted: they are

Deleted: via billings from various producers.

Deleted: August 10, 2006

Deleted: December 31, 2009

FUEL ADJUSTMENT MECHANISM - 5110

BACKGROUND

01 The Nova Scotia Utility and Review Board ("UARB") approved the implementation of a Fuel Adjustment Mechanism ("FAM") in the 2009 General Rate Decision effective January 1, 2009.

DEFINITION

02 The FAM includes the difference between actual fuel costs and amounts recovered from customers in the current period and in the two preceding years. The following are the components of the FAM:

a) Base Fuel Costs - Customer rates are set to recover the base amount of fuel costs. The differences between NSPI's actual fuel costs and the fuel costs recovered through the base fuel cost (i.e. what is charged and recovered from consumers) accumulate each month in the FAM as a Regulatory Asset (if NSPI under recovers actual fuel costs) or as a Regulatory Liability (if NSPI over-recovers actual fuel costs). The fuel base rate is reset every two years through a formal regulatory process or during a general rate application.

b) Actual Adjustment ("AA") – The AA results from dividing the previous year's FAM Regulatory Asset (Liability) balance by the current year's sales forecast. The AA is used in determining the current year's electricity rates. As amounts are recovered (rebated) from (to) customers in the current year, the remaining balance of the AA amount decreases.

c) Balance Adjustment("BA") - The BA is the residual amount of the AA related to subsequent years that was not fully recovered through the AA, which is based on sales forecasts. The BA rate is established similar to the AA rate using the cumulative remaining FAM Regulatory Asset (Liability) balance divided by forecasted sales for the period. Any residual BA balance at the end of a period is applied to the subsequent year and used in the determination of future BA rates.

d) Incentive (discentive) - On the accumulated FAM amount under or over-recovered in any given year, before interest, an amount of 10% of the amount less the difference between the incentive threshold and the base fuel costs, to a maximum of five million dollars will be calculated and will reduce (increase) the FAM Regulatory Asset (Liability) balance and fuel adjustment on the Statement of Earnings.

POLICIES

03 Differences between actual fuel costs and amounts recovered from customers accumulate in the FAM Regulatory Asset (Liability) included in "Other Assets" or "Other Liabilities" on the Balance Sheet and subsequently become an adjustment (either an addition or deduction) to the subsequent year's electricity rates.

04 Interest is earned at the current year's weighted average cost of capital ("WACC") compounded semi annually on the accumulated FAM Regulatory Asset (Liability) balance. NSPI earns the interest on a

Regulatory Asset and the customer earns the interest on a Regulatory Liability. The interest accumulates in the FAM Regulatory Asset (Liability) account.

05 Future income tax is recorded on the FAM Regulatory Asset (Liability) balance resulting in a future income asset or liability. The income tax expense (recovery) is recorded based on NSPI's applicable statutory income tax rates for the period expected to apply when the 'FAM Regulatory Asset (Liability)' reverses.

06 The incentive (discentive) is determined at the end of each year. Each quarter an accrual is recorded based on forecasted sales and fuel expenses for the remainder of the year.

07 The balance accumulated in the FAM Regulatory Asset (Liability) includes the incentive (disincentive) component of the FAM and any interest.

08 The revenue related to the fuel under or over recovery in the current year is not billed and collected until subsequent years. Revenue is therefore recognized when the FAM is billed or refunded to customers.

09 Customer rates to recover (refund) the FAM Regulatory Asset (Liability) balance are approved by the UARB. A regulatory filing which includes 10 months of actual results and two months of forecast data is filed in November of each year for rates effective January 1st of the subsequent year. Differences in forecast amounts for the two months are recovered through the BA.

PROCEDURES

10 The FAM Regulatory Asset (Liability) is recorded on the balance sheet with Other Assets (Liabilities). The interest and incentive is accumulated to the FAM Regulatory Asset (Liability). The effect of income tax is recorded on the balance sheet as a Future Income Tax Asset or Liability.

11 The FAM is recorded on the income statement as an addition or deduction to expenses referred to as Fuel Adjustment. The Fuel Adjustment reflects the net amount of over or under-recoveries from the current year's base fuel costs, including the incentive, the recognition of AA amounts from the prior year and the recognition of BA amounts from two years ago.

12 Revenues associated with the recovery (rebate) of FAM fuel costs are reported as electric revenues. The interest associated with the FAM Regulatory Asset (Liability) is recorded as interest income or interest expense.

OPERATING, MAINTENANCE AND GENERAL - 5200

DEFINITION

01 Operating, maintenance and general ("OM&G") expenses include all costs of operations not recognized elsewhere. Examples of OM&G expenses include, but are not limited to, labour, contracts, consultants, materials, travel, office supplies, chemicals and rent.

Deleted: except fuel and power purchases, cost of goods sold, grants in lieu of property taxes, provincial capital tax, AFUDC, depreciation, accretion, interest, and income taxes.

Deleted: expenses

Deleted: [1]

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.

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 Please refer to NSPI Accounting Policy and Procedures Manual Section 3100 for a detailed discussion of the Oracle Financial System account structure.

Deleted: The OM&G expense accounts range from 001 to 066 while OM&G activities include 100 to 399.

Deleted: more

Deleted: August 10, 2006

Deleted: December 31, 2009

AMORTIZATION - CAPITAL CONTRIBUTIONS IN AID OF CONSTRUCTION - 5310

POLICY

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

PROCEDURES

02 The amortization base is equal to the amount of the capital contribution received for the specific asset group.

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

04 Please refer to NSPI's Accounting Policy and Procedures Manual Section 6220 for recording of capital contributions.

Deleted: or Government assistance

Deleted: 112

Deleted: Amortization

Deleted: s

Deleted: by plant activity code.

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: 04

Deleted: 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: December 31, 2009

Deleted: August 10, 2006

Page 1: [1] Deleted	AI141	9/12/2010 3:34:00 PM

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

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 Nova Scotia Power Inc.'s Capital Expenditure Justification Criteria ("CEJC") and the National Association of Regulatory Commissioners and the Federal Energy Regulatory Commission, both of which are American organizations.

Deleted: the

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 amortization[2]. 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.

Deleted: CICA Handbook, 3061.04.

Deleted: Paragraph

Deleted: Section

Deleted: August 10, 2006

Deleted: December 31, 2009

1 FASB ASC 360-10-05-3

2 Please refer to NSPI's Accounting Policy & Procedures Manual Section 5300 for an explanation of depreciation and amortization expense.

POLICIES

07 Expenditures meeting the criteria described in Paragraphs 02, 03 and 06 create a benefit that will be realized by the Company beyond the current year. Accordingly, they should be capitalized.

PROCEDURES

08 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.

09 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. Nova Scotia Power Inc. ("NSPI") uses different materiality levels for different classes of assets. Please refer to NSPI's Accounting Policy & Procedures Manual Section 1560 for a discussion of the concept of materiality. NSPI's Accounting Policy & Procedures Manual Section 1560A provides the current materiality guidelines with respect to capitalization.

10 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[3]. 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".[4] Only these accounts will be capitalized.

3 Please Refer to NSPI's Accounting Policy & Procedures Manual 6200 for a description of the work order process

4 Please Refer to NSPI's Accounting Policy & Procedures Manual Section 3100 for a detailed description of the general ledger account structure.

Deleted: and

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

Deleted: 09

Deleted: incurred

Deleted: 10

Deleted: Appendix A to Section

Deleted: 11

Deleted: Oracle General Ledger

Deleted: 3

Deleted: and eventually transferred to property, plant and equipment.¶

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.¶

Deleted: proces

Deleted: s¶
3

Deleted: section

Deleted: August 10, 2006

Deleted: December 31, 2009

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

Deleted: 2

Deleted: 3

Deleted: August 10, 2006

Deleted: December 31, 2009

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]

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 NSPI's Accounting Policy & Procedures Manual Sections 6210, 6220, 6230, 6235 and 6240.

Deleted: Sections

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 Nova Scotia Power Inc. ("NSPI") which were previously devoted to public service are recorded at their original cost to the seller, less accumulated depreciation.

[1] FASB ASC 360-10-30

[2] FASB ASC 360-10-30

Deleted: CICA Handbook, 3061.16.

Deleted: CICA Handbook, 3061.23.

Deleted: August 10, 2006

COST COMPONENTS AND ELEMENTS - 6140

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 Federal Energy Regulatory Commission ("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

Clearing
Rights of Way
Diversion Rights

Deleted: Rights of Way
Deleted: 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

Deleted: December 31, 2009

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)	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

Air Conditioner Units	Environmental	Gutters	
Alarms		Handrails	r
Architects Plans		Heaters	e
Backfill		Hoists	m
Blowers		Hoses	e
Boilers		Insulation	d
Booms		Interior Finish	i
Braces		Lighting	a
Breakers		Lights	t
Building Inspections		Linings	i
Building Permits		Motors	o
Bulkheads		Painting - First Time	n
Cables	Fans	Panels	
Ceilings	Fences	Partitions	
Concrete	Fill	Paving - First Time	
Conduit	Fire Escapes	Permits	
Controls	Floors	Pickets	
Coolers	Flotation Devices	Pipe	
Counters	Flow Control Devices	Piping	
Cranes	Framing	Platforms	
Cribwork	Furnaces	Plugs	
Curbs	Gates	Plumbing	
Derricks	Grading	Posts	
Doors	Gratings	Pumps	
Elevators	Gravel	Retaining Walls	
Excavation	Grounding	Roof	

Deleted: December 31, 2009

Shelves
Siding
Signs
Sods - First Time
Soil Stabilization
Stairs
Switches
Tanks
Tie Downs
Timbers
Tracks
Trees & Shrubs - First Time
Ventilation
Wall and Floor Finishes
Wire
Waterproofing - First Time
Windows

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

Deleted: December 31, 2009

Turbogenerator Installation (010) - Steam

Deleted: ¶

Deleted:

Cost Components

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

Cost Elements

Deleted: ¶
¶
¶
¶
¶
¶
¶

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	

Plant Control and Instrumentation (011)

Cost Components

Automatic Controls
Panels

Cost Elements

Data Loggers	Meters

Fuel Handling – Natural Gas (012)

Cost Components

Equipment Enclosure	Pumping System	Tanks
Heating System	Valves	

Cost Elements

Concrete	Heaters	Platforms
Controls	Insulators	Pumps
Excavation	Ladders	Signs
Equipment Foundation	Lining	Steel

Deleted: December 31, 2009

Fencing
Gates
Gravel
Hangers
Measuring Devices
Meters
Painting – First time
Piping
Wiring

Deleted: ¶

Deleted: ¶
¶
¶
¶
¶

Boiler (013)

Cost Components

Boiler
Fuel Burning Equipment
Insulation
Package Boiler
Piping & Headers
Reheater
Soot Blower System
Superheater

Cost Elements

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

Circulating Water System (014)

Cost Components

Tanks
Demineralizer
Clarifier
Polishers

Cost Elements

Controls
Foundations
Meters
Valves
Wiring

Wastewater Systems (015)

Cost Components

Ponds
Tanks
Treatment Equipment

Cost Elements

Excavation
Fencing
Lining
Motors
Valves
Wiring

Deleted: December 31, 2009

Feedwater System (016)

Cost Components

Deaerator	Feedwater Heaters	Pumps
Economizer	Feedwater Pipework	Tanks

Cost Elements

Brackets	Headers	Wiring
Controls	Motors	

Draft Equipment/Stacks (017)

Cost Components

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

Cost Elements

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

Deleted: ¶
¶

Formatted: Highlight

Deleted: December 31, 2009

Controls	Magnets	Switches
Dust Collectors	Measuring Devices	Ties
Elevators	Motors Wiring	
Filters	Painting - First Time	

Deleted: ¶
¶
¶
¶
¶

Formatted: Highlight

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	

Deleted: December 31, 2009

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	Telemetering 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	

Power Equipment – Station Service (023)

Cost Components

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

Deleted: ¶
¶
Formatted: Highlight
Formatted: Highlight
Deleted: ¶
¶
Formatted: Left
Formatted: Left, Don't keep with next, Don't keep lines together
Formatted: Left
Deleted: December 31, 2009

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	

Deleted: ¶
Formatted: Highlight

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	

Deleted: December 31, 2009

COST COMPONENTS AND ELEMENTS - 6140

Roads, Trails and Bridges (026)

Cost Components

Road or Trail
Tunnels
Bridge

Cost Elements

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

Waterways (027)

Cost Components

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

Cost Elements

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

Dams and Spillways (028)

Cost Components

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

Deleted: ¶

Deleted: ¶
¶
¶
Gas Turbine Engines (030)¶
¶
Cost Components¶
¶
Combustion Equipment Foundation Starting System¶
Engine Generator¶
Fire Ext. Equipment Stack¶
¶
Cost Elements¶

Section Break (Continuous)
Air Ducts Cleanouts Cooling System¶
Air Intake Clutch Detection System¶
Air Filter Compressor Excavation¶
Brackets Concrete Exciter¶
Brick Controls ¶
¶
Wind Generating Installation (031)¶
¶
Cost Components¶
¶
Wind Turbine Wind Turbine Aux.¶
¶
Cost Elements¶
¶
Controls Wiring¶
Foundations¶
¶
Boiler Instrumentation (011)¶
¶
Cost Components¶
¶
Automatic Controls¶
Panels¶
¶
Cost Elements¶
¶
Data Loggers Meters¶
¶
Boiler (013)¶
¶
Cost Components¶ ... [1]

Deleted: Penstock - Fibreglass

Deleted: December 31, 2009

Cost Elements

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

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.

Deleted: December 31, 2009

Cost Elements

Deleted: ¶

Controls	Wiring
Foundations	

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	

Deleted: December 31, 2009

Deleted: ¶
¶

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	

Deleted: December 31, 2009

Cost Elements

Arresters
Brackets
Clamps
Connectors
Ground Rods
Mounting Devices
Ties
Wiring

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
Mounting Devices
Brackets
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
Fans, Blowers
Fault Recorder
Fencing
Fire Protection System
Foundations - Equipment
Frequency Control System
Fuse Equipment
Grounding System
Insulators
Lighting System
Lightning Arrester
Panels
Reactor or Resistor
Support Structure
Switches
Switchgear SF6
Switchgear Metalclad
Tanks
TelemeteringEquipment
Testing Equipment
Thyristor Valve
Ventilating Equipment

Deleted: December 31, 2009

Drainage & Sewer Sys.	Manhole	Voltage Regulator
Elev., Crane, Hoist, etc.	Meter	
Equipment Enclosures	Miscellaneous Equipment	

Cost Elements

Adapters	Excavation	Painting - First Time
Backfill	Filters	Permits
Bolts	Foundations	Piping
Brackets	Gravel	Protective Equipment
Cabinets	Ground Rods	Racks
Clamps	Inspections	Signs
Concrete	Ladders	Tanks
Duct Systems	Motors	

Substation Transformers (044)

Cost Components

Transformers

Cost Elements

Mounting Brackets

Underground Conduit (045)

Cost Components

Conduit	Manhole	Vault
Lighting Systems	Tunnels	Ventilating Equipment
Manhole		

Cost Elements

Backfill	Excavation	Ladders
Concrete	Fans	Motors
Connectors	Fixtures	Pumps
Controls	Foundations	Wires
Covers	Grates	
Drains	Gravel	

Deleted: December 31, 2009

Deleted: ¶
¶

Underground Conductors (046)

Cost Components

Cable - Buried	Cable - Submarine
Cable - In Conduit	

Cost Elements

Conductors	Dead Ends	Splices
Connections	Jumpers	

Underground Conductor Devices (047)

Cost Components

Circuit Breaker	Lightning Arresters	Pump House
Insulators	Line Switches	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

Deleted: December 31, 2009

Cost Elements

Deleted: ¶

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	

Deleted: December 31, 2009

Subscriber Mobile Radio (053)

Cost Components

Antennas	PC Consoles (Control Room)
Base Station	Portable Radios
Mobile Radios	Remotes

Cost Elements

Antenna	External Loudspeaker
Brackets	Microphone
Cords	Wiring and Connectors

Remote Monitoring (054)

Cost Components

Digital Video Recorders (DVR)	Power Quality Monitors
Environmental Monitors	Sensors
PC Consoles	Surveillance Systems

Cost Elements

Cable Connectors	Supports
Conduit	Terminal Blocks
Structures	Wiring

Teleprotection (055)

Cost Components

Digital Channel Equipment	Power Supplies
Fibre Optic Cable	Racks
Fibre Optic Modems	Tone Equipment
Panels	

Cost Elements

Cable Connectors	Terminal Blocks
Conduit	Wiring

Deleted: ¶

Deleted: December 31, 2009

Communication Entrance Cables and Protection (056)

Deleted: ¶

Cost Components

Cabinets	Isolation Transformers
Conduit	Junction Boxes
Fibre Optic Cable Systems	Lightning Protectors
High Voltage Protection	Panels

Cost Elements

Cable Connectors	Wiring

Deleted: ¶
¶

Leased Communication Facilities (057)

Cost Components

Cabinets	Panels
Conduit	Terminal Blocks
Junction Boxes	

Cost Elements

Cable Connectors	Wiring

Power Line Carrier (058)

Cost Components

Cabinets	Panels
Conduit	Terminal Equipment
Junction Boxes	Wave Trap

Cost Elements

Cable Connectors	Wiring

Multiplex (059)

Cost Components

Multiplex Shelf	Power Supplies
Network Management System	Racks

Deleted: December 31, 2009

PC Console	Terminal Blocks
Plug in Cards	

Cost Elements

Cable Connectors	Wiring

Broadband Radio (060)

Deleted: Microwave Equipment

Cost Components

Antenna and Support	HVAC
Feedlines	Motor Generator Set
Foundations	Radio Transmitters and Receivers
Guys	Telecom Building

Deleted: Antenna and Support Structures¶ Motor Generator Set Terminal Station

Cost Elements

Monitoring Equipment	Supports
Structures	

Deleted: Foundations

Deleted: Guys

Telecommunication Systems (061)

Deleted: phone

Cost Components

Network	PBX/Telephone Switch
Phones	

Cost Elements

Connections	Wiring
Panels	

Fibre Optics (062)

Cost Components

Fibre Optic Cable	Supports
Messenger cable	

Deleted: Wire¶

Cost Elements

Connectors	Splice Enclosures

Deleted: December 31, 2009

Mobile Radio Infrastructure (063)

Cost Components

Antenna	Transmitters
Receivers	

Cost Elements

Auxiliary Power Supply	Grounding Systems	Supports
Batteries	Guys	Wiring
Foundations	Mounting Devices	

Deleted: ¶
¶
¶
¶

Deleted: s

SCADA Equipment (064)

Cost Components

Master Station
Remote Terminal Units

Cost Elements

Wiring
Terminals

Transportation Vehicles (065)

Cost Components

Automobiles	Four Wheel Drives
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

Deleted: December 31, 2009

Bucket Trucks
Caterpillars
Helicopters
Loaders and Backhoes

Cost Elements

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

Office Equipment (067)

Cost Component

Duplicating Equipment
Mailing Equipment
Microfilm, Microfiche
Miscellaneous Equipment
Printing Equipment

Office Furniture - General (068)

Cost Components

Bookcases
Cabinets
Chairs
Desks
Dividers
Drafting Tables
Tables

Cost Elements

Coffee Credenzas
Filing Cabinets
Supports
Tables

Office Furniture - Modular (069)

Cost Components

Chairs
Desk Units
Dividers
Tables

Shop Equipment (070)

Cost Components

Air Compressor
Lathe

Deleted: December 31, 2009

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

Cost Elements

Deleted: ¶

Accessories
Carrying Devices
Meters Panels
Miscellaneous Tools
Mounting Devices
Pumps
Wiring

Leasehold Improvements (071)

Cost Components

Leasehold Improvements
Leases

Cost Elements

Contract Costs
Electrical
Materials
Mechanical
Security

Deleted: Mechan

Deleted: cial

Computer Hardware & Operating Software (072)

Deleted: Equipment

Cost Components

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

Cost Elements

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

Deleted: December 31, 2009

Laboratory Equipment (073)

Cost Components

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

Computer Application Software (078)

Cost Components

Application software procurement	Data migration
Application software customization	Project management
Consulting fees	

Cost Elements

Middleware software modifications

Purchase Price Difference (080)

Cost Components

Pur. Diff – Kentville	Pur. Diff – LM6000

Deleted: December 31, 2009

Deleted: ¶

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	E-crane
Concrete	Hoppers
Control	Pier
Conveyor System	

Cost Elements

Belts	Hoppers
Controls	Measuring devices
Filters	Motors
Foundations	Wiring

Deleted: December 31, 2009

Gas Turbine Engines (030)

Cost Components

Combustion Equipment	Foundation	Starting System
Engine	Generator	
Fire Ext. Equipment	Stack	

Cost Elements

Section Break (Next Page)

Air Ducts	Cleanouts	Cooling System
Air Intake	Clutch	Detection System
Air Filter	Compressor	Excavation
Brackets	Concrete	Exciter
Brick	Controls	

Wind Generating Installation (031)

Cost Components

Wind Turbine	Wind Turbine Aux.

Cost Elements

Controls	Wiring
Foundations	

Boiler Instrumentation (011)

Cost Components

Automatic Controls
Panels

Cost Elements

Data Loggers	Meters

Boiler (013)

Cost Components

Boiler	Package Boiler	Soot Blower System
Fuel Burning Equipment	Piping & Headers	Superheater
Insulation	Reheater	

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

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	Telemetering 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	

CAPITAL CONTRIBUTIONS IN AID OF CONSTRUCTION - 6220

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 services 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: ¶
December 31, 2009

Deleted: August 10, 2006

CAPITAL CONTRIBUTIONS IN AID OF CONSTRUCTION - 6220

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.

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.

09 Please refer to NSPI's Accounting Policy & Procedure Manual Section 5310 for a discussion of the amortization of capital contributions in aid of construction.

Deleted: [1]

Deleted: This journal entry to record a cash contribution would be as follows:¶
DR Cash or Asset ¶
CR Capital Contributions - CWIP

Deleted: 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 ¶
10

Deleted: Section

Deleted: ¶
December 31, 2009

Deleted: August 10, 2006

INTANGIBLE ASSETS - 6225

DEFINITION

01 Intangible assets are those that lack physical substance.[1]

POLICY

02 Intangible assets include land rights and computer software and are capitalized in accordance with NSPI's Accounting Policy & Procedure Manual section 6000.

03 Intangible assets with a finite useful life shall be amortized in accordance with NSPI's Accounting Policy & Procedures Manual section 5300.

PROCEDURES

03 For the capitalization of computer software please refer to NSPI's Accounting Policy & Procedures Manual section 6215.

[1]FASB ASC 350-10-20

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION - 6240

GENERAL

01 The cost-of-capital invested in construction work in progress is included in an allowance for funds used during construction[1] ("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 AFUDC includes a designated cost of equity funds, to be capitalized as part of the acquisition of the related asset. That cost shall be capitalized under those circumstances only if its subsequent inclusion in allowable costs for rate-making purposes is probable.[2]

03 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,

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:

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 in-service immediately upon delivery (*e.g.* office furniture, tools, vehicles, computer hardware, 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.

Deleted: The Company provides for

Deleted: t

Deleted: by

Deleted: including

Deleted: CICA Handbook

Deleted: states that AFUDC on acquisitions or construction over a period of time should be capitalized for utilities regulated on rate of return:

Deleted: requires an allowance for funds used during constructions, including a designated cost of equity funds, to be capitalized in specific circumstances as part of the acquisition of the related asset. That cost shall be capitalized under those circumstances only if its subsequent inclusion in allowable costs for rate-making purposes is probable.[3]

Deleted: ¶
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.[4]¶

Deleted: used

Deleted: equipment

1 FASB ASC 980-360-20

2 FASB ASC 980-360-25-1

Deleted: December 31, 2009

Deleted: August 10, 2006

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.

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 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. The annual AFUDC rate is then divided by twelve to arrive at the monthly rate.

.

Deleted: The following example illustrates the calculation of

Deleted:

Deleted: the application base for an individual capital work order compounding interest (January and July)

Deleted: (assume the following applies to Work Order D387)

Deleted: :¶
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

Deleted:

Deleted: last fiscal period

Deleted:

Deleted: (June 30 or December 31) 3,500¶
(does not include monthly calculation for January and July) ¶
Application base $ 99,500¶
Section Break (Next Page)

Deleted: 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% (X.X% AFUDC – equity plus X.X% AFUDC – interest), it must first be ... [1]

Deleted: Interest Capitalized

Deleted: AFUDC - interest

Deleted: 845.75

Deleted: ¶
CR X-XXX-XXX-XXX-XXXX AFUDC ... [2]

Formatted: Highlight

Deleted: 9

Deleted: December 31, 2009

Deleted: August 10, 2006

Page 2: [1] Deleted	ag986	8/7/2010 1:38:00 PM

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% (X.X% AFUDC – equity plus X.X% AFUDC – interest), 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

Page 2: [2] Deleted	ag986	8/7/2010 1:38:00 PM

CR X-XXX-XXX-XXX-XXXX AFUDC – equity X.XX

LONG LIVED ASSETS TO BE DISPOSED OF BY SALE – 6360

NOVA SCOTIA POWER
An Emera Company

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. Management, having the authority to approve the action, commits to a plan to sell the asset,
b. The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets,
c. An active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated,
d. The sale of the asset is probable and transfer of the asset is expected to qualify for recognition as a completed sale within one year, except as permitted by *ASC 360-10-45-11*
e. The asset is being actively marketed for sale at a price that is reasonable in relation to fair market value.
f. Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn[1]

Deleted: e

Formatted: Bullets and Numbering

Deleted: It

Deleted: is

Deleted: It

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.[2]

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 carry amount or fair value less cost to sell. [3]

Deleted: net book value

Deleted: market

05 A long-lived asset should not be depreciated (amortized) while it is classified as held for sale. Interest and other expenses attributable to the long-lived asset should continue to be accrued. [4]

06 If a long-lived asset is no longer being held for sale, it should be reclassified as held and used or as detailed in NSPI Accounting Policy and Procedures Manual Section 6350. Long- lived assets should be reclassified at the lower of:

Deleted: If a long-lived asset is no longer being held for sale, it should be reclassified as held and used

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[5]

1 FASB ASC 360-10-45-9

2 FASB ASC 360-10-45-12

3 FASB ASC 360-10-35-43

4 FASB ASC 360-10-35-43

5 FASB ASC 360-10-35-44

Deleted: ¶
August 10, 2006

DEFINITIONS

01 Cost

Cost is the main component of most **retirement work orders**. Refer to NSPI's Accounting Policy & Procedures Manual 6100 for a more detailed description of the items included in cost. The amounts that must be removed to record the deletion of an asset from service includes its cost and related accumulated depreciation.

02 Asset Retirement Obligations ("AROs")

An asset retirement obligation is an obligation associated with the retirement of a tangible long-lived asset.[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

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

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

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

Deleted: and represents t

Deleted: the amount by which capital assets in service and the related accumulated depreciation accounts must be reduced for the deletion of the asset from service. Please refer to

Deleted: Section

Deleted: NSPI's Accounting Policy & Procedures Manual 6100 for a more detailed description of the items included in cost.

Deleted: 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.

Deleted: CICA Handbook 3110.03

Deleted: August 10, 2006

1 FASB ASC 410-20-20

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 or assets that are not used but are useful for standby purposes or future services. 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 ,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. These are used to remove costs from the capital asset records. 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. NSPI's Accounting Policy & Procedures Manual 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.

Formatted: Justified
Deleted: .
Deleted: and
Deleted: entire production plants,
Deleted: Section
Deleted: Section
Deleted: August 10, 2006

[2]Please refer to NSPI's Accounting Policy & Procedures Manual 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.

15 Asset retirement obligations have been set up for the decommissioning of applicable assets[3] consistent with *FASB ASC 410-20 Asset Retirement and Environmental Obligations, Asset Retirement Obligations*. The obligation is determined consistent with FASB ASC 410-20-30, Asset Retirement and Environmental Obligations, Asst Retirement Obligations, Initial Measurement. The obligation is revised as required under the FASB ASC 410-20-35 Asset Retirement and Environmental Obligations, Asset Retirement Obligations, Subsequent Measurement.

Retirement of Land

16 When land is disposed of, retirement accounts within a work order are used to remove its cost from the capital asset records.

17 If the proceeds from the sale of land are greater than the cost of the land plus the retirement costs than a gain on the sale must be recognized. Consequently, if the proceeds are less than a loss on the sale must be recorded.

[3] Please refer to NSPI's Accounting Policy & Procedures Manual 6320 for a discussion of the Asset Retirement Obligations.

Deleted: 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¶ ... [1]

Deleted: 17

Deleted: thermal and hydro sites

Deleted: The liabilities should be reviewed and if there is an amount recorded to cover the cost of retiring the assets, the

Deleted: following entry

Deleted: amount should be recorded.

Deleted: to transfer the costs to the obligation

Deleted: DR: 2-xxx-xxx-xxx-xxxx ¶
CR: 2-531-xxx-xxx-xxxx¶
To transfer ARO for asset retirement costs¶ ... [2]

Deleted: 18

Deleted: An example will demonstrate the journal entries required to retire land. Assume that a piece of land with an original cost of ... [3]

Deleted: August 10, 2006

Page 3: [1] Deleted	ag986	8/7/2010 2:06:00 PM

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

Page Break

Page 3: [2] Deleted	ag986	8/7/2010 2:08:00 PM

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

Page 3: [3] Deleted	ag986	8/7/2010 2:08:00 PM

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

GAIN OR LOSS ON DISPOSITION OF CAPITAL ASSETS - 6440

NOVA SCOTIA POWER
An Emera Company

POLICIES

01 Gains or losses on capital assets, with the exception of land, are deferred to accumulated depreciation.

Deleted: 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 NSPI's Accounting Policy & Procedures Manual Section 6420 for the procedures to record the retirement of capital assets.

Deleted: August 10, 2006

Formatted: Highlight

UNBILLED REVENUE RECEIVABLE - 6650

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]

03 The Company's unbilled revenue receivable includes receivables associated with the "Demand Side Management" ("DSM") Program which are excluded from revenue.

PROCEDURE

04 Unbilled revenue receivable is charged to account 355.

Deleted: 03

[1] Please refer to NSPI's Accounting Policy and Procedures Manual Section 4100, paragraphs .02

Deleted: and .04.

Deleted: August 10, 2006

INVENTORIES - 6700

DEFINITION

01 Inventories include the following significant categories:

a. thermal materials;
b. transmission and distribution materials; and
c. fuel.

POLICIES

02 Inventor ies are measured at the lower of cost and market. Market means current replacement cost provided that market does not exceed the net realizable value and market shall not be less than net realizable value reduced by an allowance for normal profit margin.

03 Inventories should be recognized, measured and presented in the financial statements in accordance with FASB ASC Topic 330 - Inventory.

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 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 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

Deleted: valued

Deleted: or replacement value

Deleted: net realizable value.

Deleted: Paragraphs 3030.1 to 3030.13

Deleted: Section 3031 of the CICA Handbook

Deleted: ,

Deleted: at least annually,

Deleted: ,

Deleted: gas

Deleted: December 31, 2009

Deleted: August 10, 2006

Deleted: June 18, 200

Deleted: 8

10 Physical counts and surveys are performed quarterly for coal and monthly for oil with any adjustments charged or credited to fuel expense based on the Nova Scotia Utility and Review Board ("UARB") approved fuel manual practices.

Deleted: at least annually

Deleted: December 31, 2009

Deleted: August 10, 2006

Deleted: June 18, 200

Deleted: 8

TERMINATION COSTS - 6930

Deleted: SEVERANCE

POLICIES

Deleted: GENERAL

01 The Company accrues a liability for termination costs associated with severance programs consistent with the requirements of *FASB ASC Topic 420 – Exit or Disposal Cost Obligations or ASC Topic 712 – Compensation – Nonretirement Post Retirement Benefits* except as noted in paragraphs 03, 05 and 06 below.

Deleted: at the date management commits to a staff reduction plan and a reasonable estimate can be made of the amounts involved

02 Liabilities associated with termination costs are recognized when there is little or no discretion to avoid these costs and the amount is determinable. The criteria for recognition depends on the type of termination benefit as follows:

Deleted: 02

Deleted: f

A One-time termination costs are benefits offered above and beyond contractual or legal requirements to employees that are involuntary terminated. *FASB ASC paragraph 420-10-25-4* provides guidance on the criteria that must be met to recognize the obligation.

Deleted: 02

Deleted: employees

B Special terminations benefits are offered for a short period of time in exchange for an employees termination of service. *FASB ASC paragraph 712-10-25-1* provides guidance on the criteria that must be met to recognize the obligation.

C Contractual termination benefits are benefits that are either provided for in employment law, employment contracts or through corporate policy and past practice. *FASB ASC paragraph 712-10-25-*2 provides guidance on the criteria that must be met to recognize the obligation.

Deleted: 02

Deleted: 02

Deleted: severance

Deleted: to b

Deleted: in the year management commits to a program

Deleted: d

03 Generally accepted accounting principles prescribe termination costs be expensed when the liability is recognized except in situations where there exists an ongoing obligation for the employee to render service until they are terminated beyond a minimum retention period which is represented by the legal notification period which would follow guidance in *FASB ASC paragraph 420-10-25-9*; 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 NSPI's Accounting Policy and Procedures Manual 6900.

Deleted: be

Deleted: ;[1]

Deleted: Policy

Deleted: 3

Deleted: ,

Deleted: likely will not impact rates if they were charged to operations in a single year. Accordingly, costs associated with these severance programs

04 When the costs of a severance program are not expected to exceed 0.25% of the annual revenue requirement of a given year they will be expensed in the year in which a program is initiated.

Deleted: and recovered from customers

Deleted: 4

05 When the costs of a severance program are expected to exceed 0.25% of the annual revenue requirement of a given 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.

Deleted: they may impact rates if they were charged to operations in a single year.

Deleted: T

Deleted: August 10, 2006

TERMINATION COSTS - 6930

06 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.

PROCEDURES

07 The total expected cost of a severance program should be accrued in the year that conditions for recognition are met based on the type of benefit offered as outlined in paragraph 2.

08 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.

09 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 termination 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.

10 The accrued liability will be reduced as cash payments are made, while the deferred asset will be amortized to expense monthly over a three year period, through a recurring journal entry.

Deleted: SEVERANCE

Deleted: 5

Deleted: ¶
¶
POLICIES¶
¶
07

Deleted: 6

Deleted: Costs associated with severance programs should be accrued at the date

Deleted: management commits to a staff reduction plan and a reasonable estimate can be made of the amounts involved7

Deleted: 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.¶
¶
Section Break (Continuous)
09

Deleted: 8

Deleted: Where the total cost of a severance program is greater than 0.25% of the annual revenue ... [1]

Deleted: 1 CICA Handbook, ... [2]

Deleted: 10

Deleted: 09

Deleted: management commits to a staff reduction plan and the benefit ... [3]

Deleted: 11

Deleted: 0

Deleted: 12

Deleted: 1

Deleted: severance

Deleted: 3

Deleted: 2

Deleted: August 10, 2006

Page 2: [1] Deleted | **Al141** | **9/2/2010 5:50:00 PM**

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.

Page 2: [2] Deleted | **cblair** | **7/16/2010 11:41:00 AM**

1 CICA Handbook, 3161,137 and EIC 23134

Page 2: [3] Deleted | **cblair** | **8/16/2010 11:44:00 AM**

management commits to a staff reduction plan and the benefit arrangement has been communicated to the employees

DEFINITION

01 Start-up costs include all expenses incurred by Nova Scotia Power Inc. ("NSPI") for the development of business opportunities outside the Company's normal sphere of regulated generation and delivery of electricity. Start-up costs are costs associated with start-up activities which are defined in *FASB ASC 720-15-20*.

02 *FASB ASC 720-15-55* provides examples of the types of costs that would be considered. Other costs that are not within the scope of *FASB ASC 720-15* should be accounted for based on the specific guidance related to the nature of the expense and the appropriate section of NSPI's Accounting Policy and Procedures Manual

POLICIES

03 All start-up costs associated with the development of new business should be expensed.

04 All NSPI employees who perform work on non-regulated activities should charge an overhead application rate as per NSPI's Accounting Policy and Procedures Manual Section 6940A.

PROCEDURES

05 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.

Deleted: New business

Deleted: [1]

Deleted: 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

Deleted: [2]

Deleted: 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.¶

Deleted: 3

Deleted: *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*

Deleted: [3]

Deleted: 4

Deleted: , 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 ... [1]

Deleted: 05 These deferred assets are excluded from the regulated rate ... [2]

Deleted: 06 Costs such as internal labour associated with a new ... [3]

Deleted: .[6]

Deleted: 4

Deleted: 10

Deleted: 11 Once the project has been determined as viable, as ... [4]

Deleted: August 10, 2006

Page 1: [1] Deleted cblair 8/16/2010 12:33:00 PM

, 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

Page 1: [2] Deleted cblair 8/16/2010 12:33:00 PM

05 These deferred assets are excluded from the regulated rate base.

Page 1: [3] Deleted cblair 8/16/2010 12:34:00 PM

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]

09

Page 1: [4] Deleted cblair 8/16/2010 12:34:00 PM

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.

---

[4] CICA Handbook ACG -11.10

[5] CICA Handbook ACG - 11.12

OVERHEAD APPLICATION RATE - 6940A

01 An overhead charge will apply to labour costs of Nova Scotia Power Inc. ("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 Filling 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.

Formatted: Justified

Deleted: August 10, 2006

04 The overhead application rate is calculated based on total OM&G expenses identified above divided by total operating labour.

Deleted: EXAMPLE¶

Deleted: would be

Formatted: Justified

Deleted: as follows:¶
¶
¶
Description ... [1]

Formatted: Justified

Formatted: Highlight

Formatted: Justified

Formatted: Justified

Formatted: Justified

Formatted: Justified

Formatted: Justified

Formatted: Justified

Formatted: Justified

Formatted: Justified

Formatted: Justified

Formatted: Justified

Deleted: August 10, 2006

Page 2: [1] Deleted **AI141** **9/2/2010 12:01:00 PM**

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%

RETAINED EARNINGS - 7200

DEFINITION

01 Retained earnings consists of net earnings (losses) before dividends, dividends on common and preferred shares considered to be equity, and other appropriate amounts.

POLICY

02 Retained earnings should be sufficient to maintain the Company's overall capital structure within the ranges prescribed by the Nova Scotia Utility and Review Board ("UARB").[1]

Deleted: and preferred

Deleted: share issue costs

Deleted: [1]

Deleted: ¶
PROCEDURE¶
¶
03 Retained earnings shall be calculated for financial statement purposes as follows:¶
¶
¶ ... [1]

Formatted: Highlight

[1] Please refer to NSPI Accounting Policy and Procedures Manual Section 7100 for details.

Deleted: August 10, 2006

Deleted: December 31, 2009

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	-
Preferred dividends	-
Share issue costs - common	-
Other	+/-
Retained earnings, end of period	XXXX

DEBT DUE WITHIN ONE YEAR - 8110

POLICIES

01 Debt which is due within one year should be disclosed under this balance sheet heading, reducing the corresponding part of the debt structure.[1]

Deleted: maturing

[1] FASB ASC 210-10-45-9

Deleted: CICA 3210.04

Deleted: August 10, 2006

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.

Deleted: August 10, 2006

BANK INDEBTEDNESS - 8200

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]

Deleted: CICA Handbook EIC-122

[1] FASB ASC 470-10-45-14

Deleted: August 10, 2006

Grant Thornton

September 10, 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 "1520, 1530, 1540, 1560, 1570, 2200, 4100, 5100, 5110, 5200, 5310, 6000, 6100, 6140, 6220, 6225, 6240, 6360, 6420, 6440, 6650, 6700, 6930, 6940, 6940A, 7200, 8110, 8120, 8200.

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

Gerald D. Hutchings, CA
Partner