ORDER **NSUARB-P-111.6**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE *PUBLIC UTILITIES ACT*

- and -

IN THE MATTER OF A REQUEST by **NOVA SCOTIA POWER INCORPORATED** for approval of changes to its Accounting Policy and Procedures Manual

BEFORE: Murray E. Doehler, CA, P. Eng., Member

ORDER

WHEREAS Nova Scotia Power Incorporated ("NSPI"), by letter dated May 14, 2010, sought approval from the Nova Scotia Utility and Review Board (the "Board") for an Order approving amendments to NSPI's current accounting policies and procedures manual (the "Manual") to align them with United States Generally Accepted Accounting Principles (US-GAAP) for fiscal periods starting January 1, 2011;

AND WHEREAS NSPI filed the amendments to the Manual in three parts with the first submission received on June 30, 2010, and the second and third submitted on September 13th and 24th respectively;

AND WHEREAS the Board hired a Consultant with expertise in Canadian and US-GAAP to review the submissions, by NSPI, and provide an opinion;

AND WHEREAS the Board decided to not have an oral hearing on this matter;

AND WHEREAS NSPI and the Consultant responded to various Board issued information requests (IRs);

AND WHEREAS the Consultant issued his final report and opinion on December 9, 2010, generally in support of the proposed changes;

AND WHEREAS NSPI advised the Board on December 16, 2010, that it had reviewed the Consultant's report and was satisfied with the findings;

AND WHEREAS the Board issued a decision [2010 NSUARB 247] on December 20, 2010, approving the amendments and requested NSPI to file a compliance filing and also stated:

[24 On an annual basis, for the next two years, the Board orders NSPI to determine and file any differences in the application of accounting principles that may be caused by: termination costs; accounting for employee future benefits; investment tax credits; income taxes; and internal software costs.

[25] The Board also orders NSPI to file comparable annual financial statements as would have been prepared under the "old" C-GAAP as compared to US-GAAP for the first year. In this, the Board would expect the Company to only report material differences which are in excess of $100,000.

AND WHEREAS NSPI filed its compliance filing on January 11, 2011;

AND WHEREAS NSPI, on January 18, 2011, requested permission to provide comparisons between Canadian and US GAAP for 2009 and 2010, and not for 2011:

> Tracking and recording only US-GAAP based reporting for 2011 will reduce costs associated with having to track the differences between US-GAAP and C-GAAP for an additional year. In order to produce 2011 financial statements similar to what would have occurred had NSPI maintained its C-GAAP reporting, accounting for items such as Pension, Preferred Shares, Hedges and Income Taxes would have to be tracked separately. This creates potential for market confusion if both US-GAAP and C-GAAP financial documentation is publicly available.

AND WHEREAS the Board reviewed the compliance filing and requested additional changes, to which NSPI responded on February 4, 2011;

IT IS HEREBY ORDERED that the Manual, as amended and attached as Schedule A, is approved;

IT IS FURTHER ORDERED that NSPI need only file the financial statement using both Canadian and US GAAP for the years ended December 31, 2009 and 2010.

DATED at Halifax, Nova Scotia, this 16th day of February, 2011.

Nancy McNeil

Clerk of the Board

SCHEDULE "A"

Nova Scotia Power Inc.

Accounting Policy and Procedures Manual

January 11, 2011

NOVA SCOTIA POWER

An Emera Company

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APPROVAL PROCESS

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

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

03 The NSPI Controller and the Director of Internal Audit will be responsible for the enforcement of financial policies.

04 Suggestions for changes in policy should be forwarded to the NSPI Controller who will act as the approval mechanism for all policy changes.

ADMINISTRATION

05 To exercise control over the contents and use of this manual, the following procedures will be followed:

a. This manual will be published on the NSPI intranet as read-only under Corporate Controller's Policies – "NSPI Accounting Policy & Procedures Manual."

b. All accounting policy updates and significant changes will be presented to the UARB for its approval.

c. All accounting policy updates and significant changes will be presented to our external auditors on an annual basis for their review and comment.

d. The NSPI intranet version of the accounting policy will be updated when UARB approval has been received for the new accounting policy updates and changes.

COMPLIANCE

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

DESCRIPTION OF BUSINESS

01 Nova Scotia Power Incorporated ("NSPI") is an investor-owned electric utility headquartered in Halifax, Nova Scotia. NSPI or its predecessors has been engaged in the production and sale of electric energy in Nova Scotia since 1919.

02 NSPI is the primary electricity supplier in Nova Scotia, providing over 95% of electricity generation, transmission and distribution in the province

03 Through the interconnection with the New Brunswick Power Corporation, NSPI's system is connected to other regional power systems and the rest of the interconnected North American systems. This grid enhances the cost effectiveness, efficiency, reserve capacity and reliability of all participating power systems.

ACT OF INCORPORATION

04 NSPI was incorporated under the name International Engineering Services Limited on July 13, 1984 pursuant to the Companies Act of Nova Scotia. On May 11, 1992, its name was changed to Nova Scotia Power Inc.

05 In August 1992, the business operated by Nova Scotia Power Corporation ("NSPC"), a crown corporation of the Province of Nova Scotia, was transferred to NSPI and common shares of NSPI were sold to the public.

06 A corporate reorganization of NSPI effective January 1, 1999 separated the regulated utility business operated by NSPI from other business interests. The regulated electric utility business of NSPI and the other businesses became subsidiaries of NS Power Holdings Inc. NS Power Holdings Inc. had a name change to Emera Inc. in 2000.

REGULATION

06 NSPI is regulated by the Nova Scotia Utility and Review Board ("UARB") pursuant to the Public Utilities Act.

07 The Act gives the UARB supervisory powers over NSPI's operations and expenditures. Electricity rates in each of the rate classes under which NSPI serves its customers are also subject to UARB approval.

REORGANIZATION AND PRIVATIZATION

08 During 1992, the Province of Nova Scotia passed legislation to facilitate the reorganization and privatization of the business of NSPC. In effecting the reorganization, pursuant to the Asset Transfer Agreement effective on August 10, 1992, NSPC transferred all of its existing assets (excluding sinking fund assets), liabilities (excluding long-term debt) and retained earnings to NSPI in exchange for:

a. Matching notes receivable equivalent to outstanding long-term debt, net of matching notes payable equivalent to sinking fund assets; and

b. 20.1 million fully paid common shares of NSPI, which were subsequently sold on August 12, 1992 by the Province of Nova Scotia as a secondary offering.

Concurrently, the $13.3 million of contributed surplus of NSPC was transferred to the retained earnings of NSPI.

09 Following the reorganization and privatization, NSPI continued the business activities of NSPC. NSPC changed its name to Nova Scotia Power Finance Corporation ("NSPFC") and continues to hold the remaining long-term debt and sinking fund assets.

10 The reorganization and privatization was accounted for using continuity of interest accounting, whereby the assets and liabilities of NSPC were transferred to NSPI at their carrying values. The comparative figures in the 1992 financial statements include the results of NSPC from April 1 to August 10, 1992 and the results of NSPI thereafter. NSPI changed its year-end from March 31 to December 31, resulting in a nine month fiscal period ended December 31, 1992.

YEAR END

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

RATE BASE - 1520

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.

REGULATED RETURN ON EQUITY- 1530

BACKGROUND

01 The Nova Scotia Utility and Review Board ("UARB") approves 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 its actual regulated return on equity and regulated average common equity ratio annually.

03 The annual regulated return on equity is calculated by dividing the regulated net earnings for the current year by the average of the actual equity amounts for the previous five quarters ending December 31st as per NSPI's regulated financial statements. Equity for this calculation is defined as common shares plus regulated retained earnings and excludes preferred shares and Accumulated Other Comprehensive Income (AOCI).

04 The annual regulated average common equity ratio is calculated by dividing the average of the actual equity amounts for the previous five quarters ending December 31st by the average of the actual capitalization amounts for the previous five quarters ending December 31st as per NSPI's regulated financial statements. Equity for this calculation is defined as common shares plus regulated retained earnings and excludes preferred shares and AOCI.

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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.

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.

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.

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.

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.

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.

CAPITALIZATION LIMITS - 1560A

SUMMARY OF CAPITALIZATION LIMITS

01 The following table summarizes the capitalization limits by major function. These limits refer to total cost of acquisition including installation. Please refer to the Capital Expenditure Justification Criteria, Appendix 5 – General Criteria, "Routine Expenditures", submitted to the Nova Scotia Utility and Review Board ("UARB") in 1995 and revised in 1997, for guidelines regarding capital expenditures. Items under the capitalization limits are expensed.

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

COST ALLOCATION POLICY – 1570

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

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.

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

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

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

DEFINITIONS

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

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.

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).

32 Cost Driver – a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

33 Common Costs – costs associated with services or products that are of joint benefit between two or more companies.

34 Direct Costs – costs that can be directly identified with a particular service or product for a specific entity.

35 Regulated – refers to services or products that are subject to price regulation by regulatory authorities.

36 Non-Regulated – refers to services or products that are not subject to price regulation by regulatory authorities.

37 Total Capitalization – includes common and preferred shares, contributed surplus, retained earnings and total short and long-term debt.

FINANCIAL RECORDS - 1580

GENERAL

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

POLICIES

02 Source documents including, but not limited to, purchase orders, invoices, cancelled cheques, requests for cheques, and receipts should be retained for a minimum of seven years to comply with income tax regulations. Acceptable storage media include printed reports, microfiche or electronic data files.

03 External auditors' information requirements generally would not exceed one year; however, since historical financial information is required for internal usage on a regular basis, two years' supporting documentation should be readily accessible to Company staff.

04 Internal documents not directly supporting financial transactions and results should be retained for a minimum of two years. Examples of these documents include requisitions and newsletters.

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STATEMENT OBJECTIVE

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

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

POLICY

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

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

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

05 The Statement of Cash Flow should disclose at least the following items:

a. cash from operations, with the amount of cash from operations reconciled to the Statement of Earnings or the components of cash from operations separately disclosed;

b. cash flows resulting from discontinued operations;

c. cash flows resulting from extraordinary items;

d. outlays for acquisition and proceeds of disposal of assets, by major category;

e. the issue, assumption, redemption and repayment of debt;

f. the issue, redemption and acquisition of share capital;

[1] FASB Section 230-10-10

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

g. the payment of dividends on common shares; and

h. cash and cash equivalents.

FORMAT

06 Cash flows from operating activities generally involve producing and delivering goods and providing services. Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income. [3] Cash flows from operating activities are determined by adjusting net earnings for the effect of non-cash items recorded in earnings, (e.g. depreciation expense and amortization of deferred charges) deferred spending which relates to operations and changes in operating working capital items.

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

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

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

10 The amounts of interest paid (net of amounts capitalized) and income taxes paid during the period shall be disclosed.[4]

[3] FASB Section 230-10-20

[4] FASB Section 230-10-20

[5] FASB Section 230-10-20

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

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

GENERAL

01 The Company maintains contributory defined-benefit and defined-contribution pension plans that cover substantially all employees, and plans providing non-pension benefits for its retirees.

02 The defined-benefit pension plans are based on the years of service and average salary at the time the employee terminates employment and provide annual post-retirement indexing equal to the change in the Consumer Price Index up to a maximum increase of 6% per year.

03 Other retirement benefit plans include: unfunded pension arrangements, unfunded long service award and contributory health care plan.

04 The measurement date for the assets and obligations of each benefit plan is December 31.

POLICIES

05 Pension obligations and obligations associated with non-pension post-retirement benefits such as health benefits to retirees and retirement awards, are actuarially determined using the projected benefit method prorated on service and management's best assumptions. The projected benefit obligation is valued based on market interest rates at the valuation date.

06 Adjustments to the projected benefit obligation arising from plan amendments are amortized on a straight-line basis over the expected average remaining service period ("ARSP") of active employees.

07 Pension fund asset values are calculated using market values at year-end. The expected return on pension assets is determined based on market-related values. The market-related values are determined in a rational and systematic manner so as to recognize asset gains and losses over a five-year period.

08 For any given year, when Nova Scotia Power Inc's ("NSPI"'s) net actuarial gain (loss), less the actuarial gain (loss) not yet included in the market-related value of plan assets, exceeds 10% of the greater of the projected benefit obligation and the market-related value of the plan assets, an amount equal to the excess divided by the ARSP is amortized on a straight-line basis.

09 On January 1, 2011, NSPI adopted the US accounting standard on employee future benefits retrospectively with restatement.

10 Plan surpluses are recognized as assets and plan deficits are recognized as liabilities on the balance sheet. The difference between plan surplus (deficits) and accrued benefit assets (liabilities) is recognized in accumulated other comprehensive income.

PROCEDURES

11 Actuarial valuations are performed annually for all plans.

12 Pension expense, as determined in the annual actuarial valuation, is charged to both operating departments and corporate adjustments.

13 Pension funding for pre-funded plans are paid as determined in an annual actuarial valuation.

14 Pension plan assets are invested by fund managers. Monthly statements are provided by the trustee showing asset market values, investment income, pension benefits, refunds of contributions and plan expenses.

15 A Statement of Net Assets and a Statement of Changes in Net Assets for all pension plans are prepared quarterly. These statements show pension asset market values, contributions receivable, accounts payable, investment income, changes in market values, contributions received, pension benefits paid, refunds of contributions and plan expenses.

16 For the defined benefit pension plan, employee contributions for current service are matched by NSPI through the payroll system and remitted to the trustee for investment by fund managers. Additional employer contributions for current service and/or past service, where required, are also remitted to the trustee for investment by the fund managers.

17 For the defined contribution pension plan, employee and employer contributions are remitted to a pension plan administrator and invested according to instructions provided by the employee.

18 For the defined benefit pension plan, administrative expenses are paid by NSPI and reimbursed from the pension fund through requests to the trustee.

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DEFINITION

01 Oracle is a relational database system that stores all information in a manner that permits the integration of data between various functions. This database is the corporate standard for development of new systems and allows all systems, both old and new, to have access to the same data.

02 In addition to the database itself, the Oracle-developed software is used for General Ledger, Accounts Payable, and Purchasing. The financial database is also used for in-house developed systems such as Invoice Express.

APPLICATION

03 After the separation of the regulated utility business of Nova Scotia Power Inc. ("NSPI") and the other businesses of Emera Inc.[1], NSPI segregated its financial data from its affiliates using the "Multi-Org" functionality available within the Oracle environment. An account structure was created more appropriate for non-electric utility businesses and a separate "sets of books' (25-digit account structure vs. 14-digit account structure[2]) was developed within the financial applications.

04 The province-wide availability of Oracle also allows for more decentralization of tasks. Field users enter their own requisitions directly into the system. Requisitions are approved on-line, and are then used to generate purchase orders. These factors allow field managers to better track their own expenditures, and to follow the status of their requisitions through the approval process, the creation of the purchase orders, and the receipt of the goods in question. Also field users can upload any journal entry which reduces the need for re-entry by head office staff.

05 The integration of the database allows the information originally entered by the user to continue through the purchasing process to the receiving of the goods and the payment of invoices. All the accounting information is then moved directly into the General Ledger.

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

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

ACCESS

06 Oracle assigns user access on the basis of responsibilities. These responsibilities have their own menus, determining what functions can be used. With the exception of system administration, database administration and IT functions, all responsibilities, and the related menus, are custom-built by the Oracle system administrators at NSPI.

07 The primary reason for the design of the various responsibilities is to separate tasks between users. For instance, the maintenance of the Vendor Master file is kept apart from both Buyers and Accounts Payable Representatives and access to information of one affiliate by another affiliate is limited to the appropriate users (Corporate Accounting Services staff).

08 When new users are added to the Oracle system, a record is created of the employee, their personnel number, their location, and their supervisor. If the employee is to be added as someone with signing authority, that employee's signing authority limit is also recorded. At that point a User-ID is created and all appropriate responsibilities are given to that user.

ACCOUNT STRUCTURE - 3100

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INTRODUCTION

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

02 The Chart of Accounts is intended as a reference document. It includes definitions of segments covering divisional expenditures as well as complete listings of all valid segment values.

OVERVIEW

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

04 The Oracle account number consists of a fourteen digit ***accounting flex field***. The flex field is made up of five segments as shown below.

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

05 **Company Segment**

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

06 **Account Segment**

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

07 **Activity Segment**

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

08 **Cost Centre Segment**

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

09 Project Segment

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

A project identifier is mandatory for capital items. The first character in the project code identifies the function involved (S-steam, H-hydro, T-transmission, D-distribution, G-gas turbine, W-Wind Generation and P-general property). The last three characters of a project identifier represent a capital work order number.

GENERAL

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

POLICY

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

GENERIC ACCOUNT DESCRIPTIONS

Land and Land Rights

03 Includes the cost of land owned and the rights, interests and privileges held by the Company in land owned by others. Land and land rights shall be classified within the function according to the major purpose for which it was acquired. Some points to note about land and land rights:

a. When special assessments are assigned to land and are in the form of deferred payments, the full amount of the assessment only shall be charged against the land account.

b. When land and buildings are acquired together, the costs shall be apportioned between land and buildings according to an independent appraisal.

c. If the buildings acquired are to be demolished without being used for utility operations, the cost of removal and any salvage shall be charged against the land account.

d. The first clearing and grading of land and any damage costs to associated property shall be charged to the appropriate plant accounts and not to the land account.

e. When the purchase of land for utility operations requires the purchase of more land than is needed the specific land account shall be charged with the cost of land purchased less fair market value of the land that is deemed surplus. This amount shall be charged to an appropriate land held for future use account.

f. This account shall be charged with:

i. the costs of acquiring land held in fee simple and used for construction and operation of the utility.

ii the cost of removal of any buildings included in the original acquisition of the land.

iii the costs associated with acquiring land rights.

g. This account shall be credited with:

i. the net proceeds from the sale of timber, cord wood, gravel, etc.
ii. the salvage received for the sale of buildings originally included on the land or any salvage received for the components of these buildings.
iii. in the case of the disposal of land the original cost of any land or land rights sold.

h. Any profit or loss on the sale of land shall be charged to an appropriate gain or loss on land sale account in accordance with the procedures in NSPI Accounting Policy and Procedures Manual 6440.

Buildings, Structures and Grounds

04 Includes the installed cost of all permanent structures, services and improvements used to house, support, or safeguard property or persons. Also includes those items that are permanently attached to buildings and could not be removed without cutting into the building and any improvement of a permanent nature on or to land. Buildings shall be classified within the function according to the major purpose under which it was acquired or constructed. Some points to note about buildings, structures and grounds:

a. When land and buildings are acquired together, the costs shall be apportioned between land and buildings according to an independent appraisal.

b. If the buildings acquired are to be demolished without being used for utility operations, the cost of removal and any salvage shall be charged against the land account.

c. The first clearing and grading of land and any damage costs to associated property shall be charged to the appropriate building account for its initial construction.

d. The cost of foundations supplied specifically for and not intended to outlast the machinery o equipment shall be charged to the same account as the machinery or equipment.

e. Minor buildings shall be considered to be part of the cost of the facility with which it was constructed.

f. When the structure of a dam forms the foundation of a power plant building the foundation shall be charged to the dam.

g. If furnaces or boilers provide heat to the plant as an incidental item to their prime purpose these items shall be charged to the appropriate plant account.

h. When material is excavated in connection with the construction of a building the costs of loading, hauling and dumping shall be charged to the project where it is ultimately used.

i. If the excavated material is sold the expenses incurred less any revenue received will be charged or credited to the construction project from which the material was taken.

j. This account shall be charged with:

   i. the costs associated with constructing buildings and all the associated attachments. This includes labour, materials, consulting, contractors' costs, construction overheads and allowance for funds used during construction.
   ii. the costs associated with the acquisition of a building including legal, broker and appraisal fees, etc.
   iii. the cost of permanent improvements on or to land.
   iv. excavation costs such as loading, hauling and dumping fill.

k. This account shall be credited with:

   i. the salvage received from the sale of excavated material.

Miscellaneous Equipment

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

Indirect Costs

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

Capital Contributions

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

Environmental Equipment

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

Site Restoration

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

Prime Movers & Generators

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

Boiler Plant Equipment

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

a. Furnaces

b. Boilers

c. Fuel Preparing Equipment

d. Fuel and Ash Handling Equipment

e. Steam and Feedwater Piping

Electrical Plant

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

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

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

Roads, Trails and Bridges

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

Reservoirs, Dams & Waterways

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

District Heating & Cooling

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

Poles, Towers and Fixtures

16 Includes the installed cost of all poles, towers and associated fixtures used primarily to support distribution and transmission overhead facilities and their connection to underground systems. This account includes the cost of all equipment used to hold these poles in place, but excludes the cost of poles used solely to support street and highway lighting equipment.

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

Overhead Conductor

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

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

Line Transformers - Overhead

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

Station Equipment

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

Underground Conduit

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

Underground Conductors

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

Line Transformers - Underground

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

Street Lighting

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

Meters

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

Services

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

Communication Equipment

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

Supervisory Control and Data Acquisition ("SCADA") Equipment

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

Transportation Equipment

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

Office Equipment

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

Shop Equipment

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

Leases and Leasehold Improvements

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

Computer Equipment

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

Laboratory Equipment

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

Stores Equipment

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

Mining Equipment

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

Non-utility

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

GENERIC ACCOUNTS -
CROSS REFERENCE TO CAPITAL ACTIVITIES - 3350A

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

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

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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 Procedures Manual Section 5110.

06 **Unbilled Electric Revenue**

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

DEFINITION

01 Other revenue includes:

a. Revenue from materials and equipment sales;

b. Wiring inspection revenue;

c. Services provided to others (e.g. storm relief, testing of protective equipment, customer requested work on NSPI and customer owned equipment);

d. Customer forfeited discounts;

e. Miscellaneous customer charges (*e.g.*, connection fees);

f. Rental income from third parties;

g. Customer late payment fees;

h. Miscellaneous revenue;

i. Revenue from steam and ash sales; and

j. Equity portion of allowance for funds used during construction.

POLICY

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

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

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.

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.

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.

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

05 **Power Purchases**

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

FUEL ADJUSTMENT MECHANISM - 5110

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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.

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.

DEPRECIATION AND AMORTIZATION EXPENSE - 5300

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POLICIES

01 The cost of property, plant and equipment and intangibles should be depreciated or amortized over the useful life of the assets.[1]

02 Net salvage values should be amortized over the useful lives of the assets to which they relate and either charged to depreciation expense (when negative) or credited to depreciation expense (when positive).

03 Depreciation and amortization expense should be provided on a straight-line basis.

04 Where Nova Scotia Power Inc. ("NSPI") has a legal obligation associated with the retirement of a tangible long-lived asset that NSPI is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel[2], NSPI will include a portion of this Asset Retirement Obligation ("ARO") in Depreciation Expense, Please refer to NSPI's Accounting Policy and Procedures Manual Section 6320 for Asset Retirement Obligations.

PROCEDURES

05 The life estimations and policies, including AROs and other significant assumptions are periodically reviewed and the results filed with the Nova Scotia Utility and Review Board ("UARB") for its approval.

06 The depreciation or amortization base consists of the original cost of assets in service, including AROs, but excludes the following assets which are not depreciated or amortized:

a. land and land acquisition costs - these costs are excluded since land generally appreciates in value over time with the recovery of invested capital occurring at the time of disposal; and

b. fully-depreciated and amortized assets - these are assets which have been fully depreciated or amortized but have not been retired from service.

07 In most cases, depreciation and amortization begins in the month an asset is placed in service and ceases on the first of the month in which it is retired. The exceptions are large projects, such as thermal plants, that are depreciated on the specific day the asset goes into service and depreciation is stopped when it is retired as these have a significant financial impact on the Company.

08 Depreciation and amortization rates, including net salvage allowances, are approved by the UARB based on periodic depreciation studies and/or settlement agreements filed with the UARB.

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[1]FASB ASC 360-10-35-3
[2]FASB ASC 410-20-15-2

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

10 Depreciation and amortization rates are filed annually with the Annual Capital Expenditures Plan to the UARB.

AMORTIZATION - CAPITAL CONTRIBUTIONS IN AID OF CONSTRUCTION - 5310

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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.

NOVA SCOTIA POWER
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GENERAL

01 **Financing charges**

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

a. long-term debt interest;

b. amortization of debt issue costs;

c. foreign exchange gains/losses;

d. short-term debt interest;

e. other expenses –such as bank charges;

f. gains on the debt defeasance portfolio;

g. payments/receipts on interest hedge positions;

h. the debt portion of AFUDC;[1]

i. carrying charges deferred on Demand Side Management Programs ("DSM") and the Fuel Adjustment Mechanism ("FAM") approved by the UARB; and

j. Other interest income earned from activities not related to generating and selling electricity including income from financing equipment sales, managing excess cash and interest tax refunds.

02 Interest expense should be recorded on an accrual basis.

03 **Debt Issue Costs**

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

1 Please refer to NSPI Accounting Policy and Procedures Manual Section 6240 for details

04 Debt issue costs should be deferred and amortized using the effective interest rate method over the term of the related debt.

05 **Foreign Currency Translation**

Please refer to NSPI Accounting Policy and Procedures Manual Section 2200

PROCEDURES

06 **Long-term Debt - Interest Expense**

Long-term debt interest expense includes interest on Nova Scotia Power Inc. ("NSPI") debentures and medium term notes. Interest expense is accrued monthly based on a 30-day months whether interest payments are made annually or semi-annually. Actual interest payments are debited to the accrued interest account.

07 **Amortization of Long-term Debt Issue Costs**

The Company defers costs associated with the issuance of long-term debt including commissions, discounts/premiums and legal and audit fees, if significant. These costs are amortized monthly using the effective interest rate method over the life of the related debt.

08 **Short-term Interest**

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

09 **Other Financing Charges**

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

10 **Foreign Exchange Expense**

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

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

11 **Defeasance Earnings**

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

INCOME TAXES - 5900

POLICY

01 Income tax expense should be categorized as current or deferred income tax expense as appropriate.

02 The Company uses the applicable enacted tax rate when measuring current and deferred income tax expense.

03 The Company follows the flow-through method of accounting for investment tax credits ("ITC's"). ITC's are recorded in the year earned as a reduction to income tax expense to the extent that realization of such benefit is more likely than not.

04 The Company recognizes deferred income tax assets (liabilities) as appropriate. To the extent deferred income taxes are expected to be recovered from or returned to customers in future rates, the Company will recognize a deferred regulatory asset (liability)[1]

05 The Company will recognize a deferred regulatory asset (liability) related to FAM. Deferred income tax expense (benefit) and a corresponding deferred income tax (liability) asset related to the FAM will be recognized based on the enacted income tax rate(s) for the period(s) when the FAM regulatory asset (liability) is expected to reverse.

FEDERAL INCOME TAXES

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

PROVINCIAL INCOME TAXES

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

TAX ON LARGE CORPORATIONS

08 The Company is subject to a provincial capital tax ("PCT") at prescribed rates applied to taxable capital.

PART VI.1 TAX

09 The Company is subject to Part VI.1 tax at a prescribed rate applied to preferred share dividends paid. The Company receives a tax deduction equal to a prescribed multiple of the Part VI.1 tax.

1 FASB ASC 980-740-25-2

PROCEDURES

10 A monthly income tax provision is recorded by multiplying the Company's effective combined federal and provincial income tax rate forecasted for the year (calculated without inclusion of the forecasted FAM adjustment) by the net earnings before tax for the period. The monthly income tax provision with respect to FAM is based on the actual FAM adjustment for the period multiplied by the enacted tax rate.

11 The Company prepares an estimate of its taxable capital using a forecasted year-end balance sheet. The taxable capital forecast is then multiplied by the enacted tax rate to determine the PCT expense for the year. The PCT estimate is prorated based upon days to determine the amount to accrue each month.

12 The net Part VI.1 tax is calculated using enacted rates and recorded as an additional cost (recovery) of the preferred share dividend. It is reclassified to current income tax expense for external reporting purposes. The monthly Part VI.1 tax expense is based on the amount of preferred dividends declared in the month. The monthly Part VI.1 tax deduction is based on the annual forecasted Part VI.1 deduction prorated based upon the total preferred dividends declared in a month.

13 The Company currently follows the policy of claiming sufficient capital cost allowance and cumulative eligible capital (the tax system's equivalent of depreciation and amortization), to minimize taxable income.

14 Federal and provincial income taxes are included in general ledger account 086 - Income Tax Expense and Provincial Capital Tax is included in account 067. The net Part V1.1 tax is included in general ledger account 786 – Tax on Preferred Dividends.

NOVA SCOTIA POWER
An Emera Company

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.

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.

1FASB 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.

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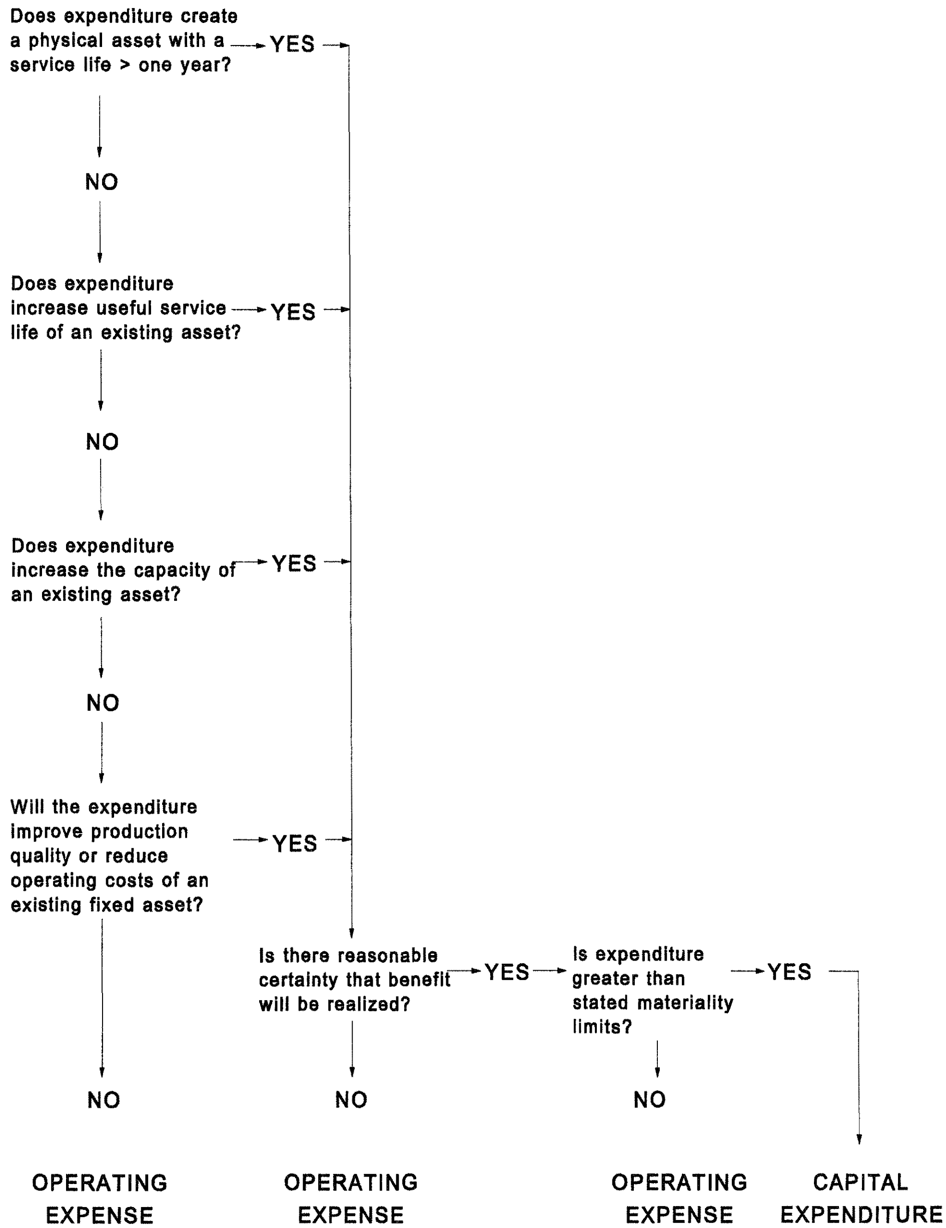
3 Please Refer to NSPI's Accounting Policy & Procedures Manual 6200 for a description of the work order process

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

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



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.

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.

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[1]FASB ASC 360-10-30

[2]FASB ASC 360-10-30

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
Diversion Rights
Rights of Way

Cost Elements for both (001) and (002)

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

Net proceeds from the sale of buildings
Environmental Assessment

Buildings, Structures and Grounds (003)

Cost Components

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

Cost Elements

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

Cost Elements

Public Address System	Glassware	Lathes
Measuring Device	Welders	

Capital Contributions (006)

Cost Components

Cash
Assets

Environmental Equipment (007)

Cost Components

Fish Ladders	Storage Devices
Measuring Devices	

Cost Elements

Concrete	Foundations	Pumps
Controls	Holding Tanks	
Enclosures	Meters	

Turbogenerator Installation (010) - Steam

Cost Components

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

Cost Elements

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

Plant Control and Instrumentation (011)

Cost Components

Automatic Controls
Panels

Cost Elements

Data Loggers
Meters

Fuel Handling – Natural Gas (012)

Cost Components

Equipment Enclosure
Heating System
Pumping System
Valves
Tanks

Cost Elements

Concrete
Controls
Excavation
Equipment Foundation
Fencing
Gates
Gravel
Hangers
Heaters
Insulators
Ladders
Lining
Measuring Devices
Meters
Painting – First time
Piping
Platforms
Pumps
Signs
Steel
Wiring

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

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

COST COMPONENTS AND ELEMENTS - 6140

Fuel Handling - Oil (019)

Cost Components

Equipment Enclosure
Equipment Foundation
Pumping System
Heating System
Tanks

Cost Elements

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

Fuel Handling - Limestone (020)

Cost Components

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

Cost Elements

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

Ash Handling Equipment (021)

Cost Components

Ash Hopper
Clinker Grinder
Fans
Ponds
Removal System
Storage Bin

Conveyor System
Pumps

Cost Elements

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

Electrical Control Equipment (022)

Cost Components

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

Cost Elements

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

Power Equipment – Station Service (023)

Cost Components

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

Cost Elements

Arresters
Battery Charger
Battery
Breakers
Cooling Systems
Electrical Devices
Fans
Fencing
Mechanical Devices
Meters
Piping
Platforms

Cables
Clamps
Foundations
Ground Rods
SF6 Switches

Turbine (024)- Hydro

Cost Components

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

Cost Elements

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

Generator (025)- Hydro

Cost Components

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

Cost Elements

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

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

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.

Cost Elements

Controls
Foundations
Wiring

District Heating & Cooling (032)

Cost Components

Heat Exchangers
Water Piping

Cost Elements

Brackets	Gaskets	Piping
Foundations	Hangers	

Wooden Poles (035)

Cost Components

Wooden Poles - Treated
Wooden Poles - Untreated

Cost Elements

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

Other Poles (036)

Cost Components

Concrete Poles

Cost Elements

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

Steel Towers (037)

Cost Components

Steel Towers

Cost Elements

Anchors	Epoxy Rods	Permits
Backfill	Excavation	Strain Insulators

Braces
Brackets
Crossarms
Guards
Guys
Insulator Pins
Suspension Bolts

Insulators (038)

Cost Components

Insulators

Cost Elements

Clamps
Pins (if Permanently Attached)
Ties

Overhead Conductor (039)

Cost Components

Conductor

Cost Elements

Conductors
Connections
Dead Ends
Jumpers
Splices

Overhead Conductor Devices (040)

Cost Components

Circuit Breaker
Grounding Systems
Lightning Arresters
Line Switches
Reclosers and Cutouts

Cost Elements

Arresters
Brackets
Clamps
Connectors
Ground Rods
Mounting Devices
Ties
Wiring

Overhead Transformers (041)

Cost Components

Transformer

Cost Elements

Mounting Brackets	Transformers
Pads	Wiring

Overhead Transformer Devices (042)

Cost Components

Autoboosters	Capacitor	Line Switches
Lightning Arresters	Cutouts	Voltage Regulator

Cost Elements

Bolts	Brackets	Connectors
Mounting Devices	Wiring	

Substation Devices (043)

Cost Components

Air Compressor	Fans, Blowers	Panels
Batteries	Fault Recorder	Reactor or Resistor
Battery Charging Set	Fencing	Support Structure
Buildings - Superstructure	Fire Protection System	Switches
Bus System	Foundations - Equipment	Switchgear SF6
Cable or Conductor	Frequency Control System	Switchgear Metalclad
Capacitor Bank	Fuse Equipment	Tanks
Compressor in Structure	Grounding System	TelemeteringEquipment
Computer Equipment	Insulators	Testing Equipment
Conduit System	Lighting System	Thyristor Valve
Control Installation	Lightning Arrester	Ventilating Equipment
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	

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

Cost Elements

Bolts	Connectors	Mounting Devices
Brackets	Excavation	Wiring

Street Lighting (050)

Cost Components

Conductor	Luminating Device	Transformer
Control Equipment	Posts & Standards	

Cost Elements

Dead Ends	Mounting Devices	Timing Devices

Luminaire
Relays Transformer

Meters (051)

Cost Components

Instrument Transformers
Meters - Demand
Meters - Energy

Cost Elements

Current Transformers
Fittings
Potential Transformers
Metering Tanks
Protective Devices
Relays

Services (052)

Cost Components

Overhead Service
Underground Service

Cost Elements

Conductor
Insulators
Dead Ends

Subscriber Mobile Radio (053)

Cost Components

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

Cost Elements

Antenna
Brackets
Cords
External Loudspeaker
Microphone
Wiring and Connectors

Remote Monitoring (054)

Cost Components

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

Cost Elements

Cable Connectors
Conduit
Structures
Supports
Terminal Blocks
Wiring

Teleprotection (055)

Cost Components

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

Cost Elements

Cable Connectors
Conduit
Terminal Blocks
Wiring

Communication Entrance Cables and Protection (056)

Cost Components

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

Cost Elements

Cable Connectors
Wiring

Leased Communication Facilities (057)

Cost Components

Cabinets
Conduit
Junction Boxes
Panels
Terminal Blocks

Cost Elements

Cable Connectors
Wiring

Power Line Carrier (058)

Cost Components

Cabinets
Conduit
Junction Boxes
Panels
Terminal Equipment
Wave Trap

Cost Elements

Cable Connectors
Wiring

Multiplex (059)

Cost Components

Multiplex Shelf
Network Management System
PC Console
Plug in Cards
Power Supplies
Racks
Terminal Blocks

Cost Elements

Cable Connectors
Wiring

Broadband Radio (060)

Cost Components

Antenna and Support
HVAC

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

Cost Elements

Monitoring Equipment
Structures
Supports

Telecommunication Systems (061)

Cost Components

Network
Phones
PBX/Telephone Switch

Cost Elements

Connections
Panels
Wiring

Fibre Optics (062)

Cost Components

Fibre Optic Cable
Messenger cable
Supports

Cost Elements

Connectors
Splice Enclosures

Mobile Radio Infrastructure (063)

Cost Components

Antenna
Receivers
Transmitters

Cost Elements

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

SCADA Equipment (064)

Cost Components

Master Station
Remote Terminal Units

Cost Elements

Wiring
Terminals

Transportation Vehicles (065)

Cost Components

Automobiles
Pickups and Vans
Four Wheel Drives

Cost Elements

Permits - First Time
Sign Painting - First Time

Work Vehicles (066)

Cost Components

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

Cost Elements

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

COST COMPONENTS AND ELEMENTS - 6140

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

Cost Elements

Accessories
Carrying Devices
Meters Panels
Miscellaneous Tools
Mounting Devices
Pumps
Wiring

Leasehold Improvements (071)

Cost Components

Leasehold Improvements
Leases

Cost Elements

Contract Costs
Electrical
Materials
Mechanical
Security

Computer Hardware & Operating Software (072)

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

Laboratory Equipment (073)

Cost Components

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

Cost Elements

Controls
Meters
Panels
Wiring

Stores Equipment (074)

Cost Components

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

Cost Elements

Mounting Devices

Computer Application Software (078)

Cost Components

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

Cost Elements

Middleware software modifications

Purchase Price Difference (080)

Cost Components

Pur. Diff – Kentville
Pur. Diff – LM6000

Non-Utility Property (081)

Cost Components

Land
Other
Other Intangibles
Royalties, etc.

Cost Elements

Legal Fees
Other Fees
Surveying

Coal Pier (082)

Cost Components

Buildings
Concrete
Control
Conveyor System
E-crane
Hoppers
Pier

Cost Elements

Belts
Controls
Filters
Foundations
Hoppers
Measuring devices
Motors
Wiring

NOVA SCOTIA POWER
An Emera Company

GENERAL

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

WORK ORDER PROCESS

02 The following steps portray the capital asset cycle at Nova Scotia Power Inc. ("NSPI").

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

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

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

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

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

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

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

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

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

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

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

i. Approval of CI by UARB;

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

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

k. Set up the capital work order in CWIP;

l. Summarize and control charges;

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

n. Final cost and close the work order to property plant and equipment ("PPE") when project is complete and UARB approval has been received if applicable. Final cost approval and/or authorization to overspend ("ATO") is required for projects where the total project spending exceeds $1,000,000.

o. Depreciate PPE item; and

p. Retire item through retirement capital work order.

CAPITAL EXPENDITURES - LAND - 6210

NOVA SCOTIA POWER
An Emera Company

GENERAL

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

POLICY

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

PROCEDURES

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

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

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

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

NOVA SCOTIA POWER
An Emera Company

POLICY

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

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

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

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

CAPITAL CONTRIBUTIONS IN AID OF CONSTRUCTION - 6220

NOVA SCOTIA POWER
An Emera Company

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;

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 & Procedures Manual Section 5310 for a discussion of the amortization of capital contributions in aid of construction.

INTANGIBLE ASSETS - 6225

NOVA SCOTIA POWER
An Emera Company

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 & Procedures 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

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

[1]FASB ASC 350-10-20

APPLICATION OF ADMINISTRATIVE AND VEHICLE OVERHEAD (SELF - CONSTRUCTED ASSETS) - 6230

NOVA SCOTIA POWER
An Emera Company

GENERAL

01 Overhead expenses are integral costs associated with the construction of capital assets. As per NSPI's Accounting Policy & Procedures Manual Section 6100 – Cost, the cost of a capital asset not only includes direct construction or development costs (such as materials and labour), but also overhead costs attributable to construction or development activities.

02 Although overhead costs are both real and substantial, they cannot be identified with specific capital projects or expenditures. For this reason, overhead costs that contribute to the capital program must be allocated to capital projects.

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

POLICY

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

PROCEDURES

IDENTIFICATION OF DIVISIONS

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

DETERMINATION OF ELIGIBLE OVERHEAD EXPENSES

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

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

07 **Customer Operations Division**

The nature of operating expenses in the Customer Operations Division is primarily identified by the activity segment of the accounting flex field.[1] The budgeted expenses for all eligible activities are accumulated to obtain the divisional total. A separate allocation of head office expenses are then added to the Division's eligible expenses.

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

08 **Power Production Division**

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

09 **Shared Services Division**

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

10 **HEAD OFFICE RENT**

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

DETERMINATION OF CAPITAL-RELATED OVERHEAD EXPENSES

11 Once the Eligible Overhead Expenses have been determined, the overhead expenses related to the Company's capital activities must be calculated. This calculation involves prorating the eligible

[1] For a detailed discussion of the general ledger account structure, please refer to NSPI's Accounting Policy and Procedures Manual Section 3100.

overhead expenses determined above based on capital labour to total labour for both administrative and vehicle overheads.

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

CALCULATION OF OVERHEAD APPLICATION RATE

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

REVIEW OF OVERHEAD APPLICATION RATE

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

APPLICATION OF OVERHEAD

15 The overhead charged to a particular project is determined by multiplying the labour costs charged to the project by the appropriate overhead application rate. The charge is debited to a Capital Work Order while the credit is recorded in Operating, Maintenance and General Expenses.

APPLICATION OF ADMINISTRATIVE OVERHEAD (CONTRACTED ASSETS) - 6235

NOVA SCOTIA POWER
An Emera Company

GENERAL

01 Overhead expenses are integral costs associated with the construction of capital assets. As per NSPI's Accounting Policy & Procedures Manual Section 6100 – Cost, the cost of a capital asset not only includes direct construction or development costs (such as materials and labour), but also overhead costs attributable to construction or development activities.

02 Although overhead costs are both real and substantial, they cannot be identified with specific capital projects or expenditures. For this reason, overhead costs that contribute to the capital program must be allocated to capital projects.

03 Although the application rate for externally contracted projects is based on the contracted costs, the Capital-related Overhead Expenses are determined using labour costs; therefore, the method is in accordance with Public Utilities Board's ruling described in NSPI's Accounting Policy and Procedures Manual Section 6230.

POLICY

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

PROCEDURES

IDENTIFICATION OF DIVISIONS

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

DETERMINATION OF ELIGIBLE OVERHEAD EXPENSES

06 The next step is the identification of operating expenses that will benefit construction or development activities. A separate determination is made for each division. The process relies on budgeted expense figures since the overhead application rate for a particular fiscal year must be determined before the year commences.

Customer Operations Division

07 The nature of operating expenses in the Customer Service Division is primarily identified by the activity segment of the accounting flex field.[1] The budgeted expenses for all eligible activities are accumulated to obtain the divisional total.

08 **Power Production Division**

Eligible Overhead Expenses for Power Production include all costs incurred by the Division's head office cost centres as well as the costs included in the administration cost centres for all operational generating stations.

09 **Shared Services Division**

Eligible Overhead Expenses and rates are calculated for each Shared Services Division deemed to have capital related labour and expenses. These eligible expenses include, but are not limited to, office supplies, training, rent, membership dues, materials, etc.

DETERMINATION OF CAPITAL-RELATED OVERHEAD EXPENSES

10 Once the Eligible Overhead Expenses have been determined, the overhead expenses related to the Company's capital activities must be calculated. This calculation involves prorating the remaining eligible overhead expenses determined above based on contractor labour to total labour for each division.

11 The double application of the self-constructed overhead costs is avoided by applying the self-constructed rate to the Eligible Overhead Expenses and then reducing those expenses by the result. The remaining expenses are then eligible to be included in the contract overhead rate.

CALCULATION OF OVERHEAD APPLICATION RATE

12 Once the Capital-related Overhead Expenses have been determined, the overhead application rate can be calculated. The application rate is simply the quotient, expressed as a percentage, of the Capital-related Overhead Expenses divided by the contract costs.

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[1] For a detailed discussion of the general ledger account structure, please refer to NSPI's Accounting Policy and Procedures Manual Section 3100.

REVIEW OF OVERHEAD APPLICATION RATE

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

APPLICATION OF OVERHEAD

14 The overhead charged to a particular project is determined by multiplying the contract costs charged to the project by the appropriate overhead application rate. The charge is debited to a Capital Work Order while the credit is recorded in Operating, Maintenance and General Expenses

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION - 6240

NOVA SCOTIA POWER
An Emera Company

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.

1 FASB ASC 980-360-20

2 FASB ASC 980-360-25-1

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.

PURCHASE PRICE DISCREPANCY - 6250

NOVA SCOTIA POWER
An Emera Company

DEFINITION

01 Purchase price discrepancy is the excess of the cost of acquired assets over the net of the amount assigned to assets acquired and liabilities assumed as approved by the Nova Scotia Utility and Review Board ("UARB").

POLICY

02 Purchase price discrepancies should be recorded as assets.

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

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

TRANSFER VALUES - 6260

POLICY

01 The cost and accumulated depreciation of capital assets transferred from one function to another within Nova Scotia Power Inc. ("NSPI") should be removed from the existing function and recorded by the acquiring function.

PROCEDURE

02 When a capital asset is transferred from one location to another within the Company, the following accounting procedures are performed:

a. original installation costs are retired;
b. costs of removal are charged to accumulated depreciation;
c. original cost and accumulated depreciation are transferred; and
d. costs to install the equipment are added to the original cost transferred.

ASSET RETIREMENTOBLIGATIONS (ARO) - 6320

NOVA SCOTIA POWER
An Emera Company

DEFINITION

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

GENERAL

02 The present value of this estimated future expenditure is recognized as a liability with an equivalent amount added to the carrying amount of the associated fixed asset consistent with *FASB ASC 410-20.*

03 The Nova Scotia Utility and Review Board ("UARB") provided a depreciation order effective January 1, 2004 approving the amount of future expenditures associated with the removal of long-lived assets. Any difference between the amount approved by the UARB as depreciation expense and the amount that is calculated under GAAP is recognized as a regulated asset.

POLICY

04 A liability for an asset retirement obligation should be recognized when a reasonable estimate of fair value can be made.[2]

05 Upon initial recognition, the carrying amount of the related long-lived asset will be increased by the same amount as the asset retirement liability. Subsequently, asset retirement costs will be allocated to expense using a systematic and rational method over the useful life of the asset.[3]

06 After initial recognition, period-to-period changes in the liability should be recognized in the liability for the asset retirement obligation resulting from passage of time and revisions to either the timing or the amount of the original estimate.[4]

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[1] FASB ASC 410-20-15-2
[2] FASB ASC 410-20-25-4
[3] FASB ASC 410-20-35-2
[4] FASB ASC 410-20-35-3

REDUNDANT ASSETS - 6340

DEFINITION

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

POLICY

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

PROCEDURE

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

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

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

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

ASSETS - NOT USED AND USEFUL - 6350

GENERAL

01 When an asset no longer provides a benefit, and is not expected to provide any benefit in the future, its undepreciated cost should be written off in the period that it is recognized as being neither used nor useful. In determining the write off, future removal costs and potential proceeds should be considered.

02 If an asset is not being used, but it is available for service, and is part of the normal level of standby capacity it is to be treated as a used and useful asset, and depreciated over its expected useful life.

03 The cost of assets not currently used, but that will be useful in providing service to future customers should not be charged against current net earnings.

04 Transfers from one category to another are at book value and gains or losses (through write downs or sales) will be included in rate base and recovered from customers in the manner described above.

POLICY

05 Assets that are not both used and useful should be classified in one of the following categories:

a. Not used and not useful;
b. Not used but useful for standby purposes; or
c. Not used but useful for future service.

NOT USED AND NOT USEFUL

06 Assets meeting the following criteria are included in this category:

a. they do not currently provide service to the consuming public; and
b. they are not expected to provide a benefit to customers in the foreseeable future.

07 Where an asset is neither used nor useful, there is no current or future benefit against which the undepreciated cost of the asset can be matched. Therefore the undepreciated cost should be written off in the period in which an asset is determined to be not used and useful.

08 In order to enhance rate stability, where the write off is significant and Nova Scotia Utility and Review Board ("UARB") approval is obtained, the undepreciated cost of the asset should be amortized, on a straight-line basis, over five years or over a reasonable period, subject to UARB approval. The unamortized cost may remain in rate base, and any cost of capital should be expensed in the period incurred. This method recognizes the benefit of recovering the cost of the asset, over a period of time, through regulated rates.

NOT USED BUT USEFUL FOR STANDBY PURPOSES

09 Assets meeting the following criteria are included in this category:

a they do not currently provide service to the consuming public; and
b. they are available for service and are required to maintain standby capacity.

10 Assets used as standby facilities provide service to customers even though they may not actually be used to generate power or otherwise meet customer requirements. They provide insurance to current customers that their requirements will be met even if there were to be an equipment failure, unexpected increase in demand or other event that would prevent the currently used and useful assets from meeting customer requirements.

11 An asset that is not used but is useful as a standby facility is to be treated the same as an asset that is used and useful. The asset is to be depreciated over its expected useful life. The undepreciated cost of the asset is to be included in rate base, and the related cost of capital recognized as an expense of the period in which it is incurred.

NOT USED BUT USEFUL FOR FUTURE USE

12 Assets meeting the following criteria are included in this category:

a. they do not currently provide service to the consuming public; and
b. they are expected to be used and useful in providing service in the future or to form part of the normal level of standby capacity in the future.

13 Assets not currently used, but expected to be used in providing service in the future will provide value to customers at a future date. Accordingly, the cost of the asset is to be matched to the future periods in which the asset will provide value to customers.

14 To the extent that the cost of the asset plus any other costs of maintaining the asset until it is placed (or returned) to service exceed its expected future value, the excess cost is similar to the cost of an asset that is neither used nor useful. Where it is expected that there will be an impairment loss of the long-lived asset when returned to service, the excess is to be written off and recovered from customers in the period in which the excess is identified.[1] However, to enhance rate stability, where the excess is significant, it may be deferred and amortized over a five year period or over a reasonable period subject to the approval of the UARB.

15 Depreciation on these assets is deferred until they are returned to service. The unamortized cost of the assets (net of any write offs) is to remain in rate base.

[1] FASB ASC 360-10-35-17

16 No cost of capital (neither return nor interest) is to be capitalized on the existing cost base during the out of service period. Any related cost of capital is to be recovered from customers and expensed, as applicable, in the period the cost is incurred.

17 The costs of maintaining assets while out of service are to be expensed as incurred. These costs include the cost of mothballing the facilities and returning the asset to service. Where the mothballing costs are approved as significant, the amounts may be deferred. Subject to UARB approval, the deferred costs may be amortized and recovered from customers over a five year period including the year that the cost is incurred, or over such period as the UARB deems prudent. Where the costs of placing (or returning) assets to service are significant, they may be added to the assets' capital costs.

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]

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]

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:

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]

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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

ACCUMULATED DEPRECIATION - 6400

NOVA SCOTIA POWER
An Emera Company

DEFINITION

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

GENERAL

02 The accounts for accumulated depreciation summarize data relating to the depreciation, retirement of capital assets, and capital contributions. These accounts reflect the accumulated activity for a particular asset group from the date of inception to the current date. This information is maintained by cost centre in Production Plant (steam, gas turbine, hydro and wind) and by activity in mass plant (Transmission, Distribution and General Property).

03 With the exceptions of the sale of land and the retirement of a production plant, no gains or losses are immediately recognized on the retirement of capital assets.[1]

POLICY

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

PROCEDURES

05 At a particular point in time, the balance in the accumulated depreciation accounts is comprised of the following amounts:

a. total depreciation expense taken to date;
b. total depreciation associated with the original decommissioning asset;
c. accretion relating to asset retirement obligations as approved by the Nova Scotia Utility and Review Board ("UARB");
d. less net - salvage allowances; and
e. less original costs of any assets that have been retired.

[1] Please refer to NSPI's Accounting Policy & Procedures Manual Section 6440 for more details

06 When conducting a depreciation rate study to set depreciation rates[2], the balances in the accounts are taken into consideration when setting the final rate. If the assets in an individual depreciable group have been over/under depreciated to date, a reserve difference will result. This difference must be written off over the remaining life of the assets. This will result in an adjustment in the depreciation rate to ensure the reserve balance will be properly credited over the remaining life.

[2] Please refer to NSPI's Accounting Policy & Procedures Manual Section 5300 for more details

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.

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.

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[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, Asset 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.

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.

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.

CASH - 6500

POLICIES

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

02 Items under the caption "Cash" on the financial statements, the Company should include petty cash funds and the net total of the bank accounts, if the total is in a debit position (positive).

03 If the net total of the Company's bank accounts is in a credit (overdraft) position, this amount should be reclassified under the caption "Bank indebtedness" for financial statement presentation purposes.

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

PROCEDURES

05 Monthly bank reconciliations are performed to ensure that all bank statements agree to the accounting records and that all required adjustments are recorded through journal entries.

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

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

SHORT-TERM INVESTMENTS - 6550

GENERAL

01 There may be times when the amount of cash on deposit in Nova Scotia Power Inc.'s ("NSPI's") bank accounts exceeds the amount determined necessary for daily operations. These surpluses usually arise on those days during which no short-term borrowings are due for repayment meaning that the Company must hold this excess cash until one of its short-term borrowing instruments matures. Cash surpluses may also arise for short periods when the proceeds of long-term debt or equity are received and are awaiting to be invested or used to repay other obligations.

02 Please refer to NSPI Accounting Policy and Procedures Manual 8110 for a discussion of short-term borrowings.

03 Rather than have excess cash balances sit idle in bank accounts, NSPI invests these funds in short-term investments to maximize interest income.

POLICY

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

PROCEDURES

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

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

06 Once an amount and term are determined, treasury staff solicits bids from at least two money market dealers to obtain the most competitive rate for the amount and term to be invested. These rates will be compared to the rates NSPI can receive from deposits in its Business Investment Account ("BIA")..

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

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

RECEIVABLES - 6600

DEFINITIONS

01 Receivables are claims held against others for money, goods, or services. They are further classified as trade receivables and non-trade receivables. Trade receivables are amounts owed by customers for goods and services rendered as part of the Company's normal operations and comprise the largest portion of "Accounts receivable" on the financial statements. Non-trade receivables arise from a variety of transactions and, because of their peculiar nature, are often separately disclosed on the financial statements if they are considered material.[1] Nova Scotia Power Inc. ("NSPI") sub classifies non-trade receivables into business, employee and miscellaneous receivables.

02 The allowance for doubtful accounts is a contra account (*i.e.* it is offset against other receivable balances to arrive at a net amount) used to record the estimate of uncollectible receivables.

03 Receivables are considered financial instruments for accounting purposes.

POLICIES

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

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

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

PROCEDURES

07 **Trade Receivables**

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

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

330 Electric Service Receivables
335 Large Customer Receivables

08 Non-trade Business Receivables

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

334 DSM Financing Receivable
340 Financial Derivative Receivable
348 Contract Receivable
350 Accrued Interest Receivable
353 Water Heater Loans
356 Receivable Marketing & Sales

09 Nontrade Employee Receivables

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

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

10 **Nontrade Miscellaneous Receivables**

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

337	Miscellaneous Receivables
352	Returns to Suppliers
354	Other Receivables

11 **Provincial Sales Tax ("PST") Rebate Receivables**

PST rebate receivables are recorded in general ledger account 338.

12 **Allowance for Doubtful Accounts**

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

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

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

339	Allowance for Doubtful Accounts

UNBILLED REVENUE RECEIVABLE - 6650

NOVA SCOTIA POWER
An Emera Company

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.

PROCEDURES

04 Unbilled revenue receivable is charged to account 355.

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

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.

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.

PREPAID EXPENSES - 6800

NOVA SCOTIA POWER
An Emera Company

DEFINITION

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

POLICIES

02 Expenses paid on an annual basis should be recorded as prepaid assets and amortized on a straight-line basis over the months to which the expense applies.

03 Prepaid expenses should be presented in the financial statements in accordance with FASB ASC 210-10-45-2 and FASB ASC 210-10-45-1(g) as a current asset.

POLICY

01 Rate-regulated enterprises such as Nova Scotia Power Inc. ("NSPI") have to consider the impact of accounting decisions on revenue requirements and rate stability. If a regulatory authority approves the recovery of certain costs in a period other than the period in which the costs would be charged to expense by an unregulated entity, it can result in amounts being deferred. If a future economic benefit equal to the deferred amounts exists, the amount should be recorded as a regulatory asset for accounting purposes. If a future cash outflow equal to the deferred amount exists the amount should be recorded as a regulatory liability for accounting purposes. As the deferred amounts are recovered through or reduce rates, the amortization of the deferred amount is matched to the recovery through or reduction in rates.

02 Certain large operating expenditures incurred by NSPI may be considered material, and eligible for deferral and amortization, subject to the approval of the Nova Scotia Utility and Review Board ("UARB"). These costs are deferred and amortized over the approved period, rather than expensed and recovered from customers in the year incurred.

03 In additional to large operating expenditures, the UARB approved the implementation of a Fuel Adjustment Mechanism ("FAM") in the 2009 General Rate Decision effective January 1, 2009. The FAM balance is recorded as a regulatory asset or regulatory liability in accordance with NSPI's Accounting Policy and Procedures Manual Section 5110.

04 NSPI applies ASC 980 for specific rate regulated accounting policies which are approved by the UARB.

TERMINATION COSTS - 6930

POLICIES

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.

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:

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.

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.

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.

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.

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.

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.

NEW BUSINESS COSTS - 6940

NOVA SCOTIA POWER
An Emera Company

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.

OVERHEAD APPLICATION RATE - 6940A

NOVA SCOTIA POWER
An Emera Company

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.

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

OBJECTIVE

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

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

DEFINITIONS

03 Derivative instruments designed to mitigate the risk of the Company's exposure to changes in market prices of, for example, natural gas, oil, coal & other commodities, interest rates, and foreign currency exchange rates, will be considered as hedging activities of the Company. All remaining derivative instruments would be considered a part of trading activities.

04 Derivative Instrument: Is a financial instrument or other contract with all three of the following characteristics: (i) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable (sometimes called the "underlying"), (ii) it requires little or no initial net investment; and (iii) its terms require or permit net settlement. Derivatives include financial instruments used to mitigate the risk of the Company's exposure to changes in market prices of, for example, natural gas, oil, coal, and other commodities. Derivatives include, but are not restricted to, such items as swaps, options, caps, collars, and forwards.

05 Fair Market Value: Is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties, who are under no compulsion to act.

06 Hedging Relationship: Is a relationship established by the Company's management between a hedged item and a hedging item.

07 Hedged Item: Is all or a specified portion of an asset, liability or an anticipated transaction, or group of assets, liabilities or anticipated transactions, having an identified risk exposure that the Company has taken steps to modify.

08 Hedging Item: Is all or a specified proportion of a derivative financial instrument acquired to modify the changes in cash flows or fair values arising from the risk exposure identified in the hedged item.

09 Hedge Accounting: Is a method for recognizing the gains, losses, revenues and expenses associated with the items in a hedging relationship, such that those gains, losses, revenues and expenses are recognized in income in the same period when they would otherwise be recognized in different periods.

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

POLICY

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

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

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

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

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

16 The Company enters into derivative instruments to manage the impact of market fluctuations on assets, liabilities, contractual commitments, and anticipated transactions. The Company defers the impact of changes in the fair market value of these derivative instruments to a regulatory asset or liability and includes the gains and losses on the derivative instruments in the measurement of the related hedged item when the hedged item is recognized.

17 Physical contracts are not marked to market through net earnings. Examples include contracts for natural gas and heavy fuel oil. Physical contracts are recognized through net earnings as the fuel is consumed or resold. Where a physical contract is considered a derivative instrument under US GAAP, the Company defers the net earnings effect to a regulatory asset or liability as appropriate.

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

PROCEDURES

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

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

a. The front office should ensure the hedging activity is in compliance with the appropriate risk management policy;
b. The front office should document the specific risk exposure being hedged in accordance with its risk management objective and strategy, the hedged item, the hedging item, and the intended term of the hedging relationship;
c. The front office should have the latest quarterly forecast to support the specific risk exposure; and
d. The documentation should be approved by the preparer of the document, the manager of the back office, and the manager responsible for the front office.

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

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

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

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

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

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

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

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

29 If the Company is required to pay a fee on the signing of an agreement, the fee should be deferred and amortized over the hedged term. Ongoing fees should be expensed as incurred.

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

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

31 If the timing of the hedged item moves forward or back, the Company may change the timing of the hedging item in order to ensure continued effectiveness of the hedging relationship. Changing the timing of the hedging item usually involves the effective settlement of the initial hedge and obtaining a new hedging item. Any gains or losses on settling the initial transaction should be deferred as a regulatory asset or regulatory liability until recognition and measurement of the hedged item. Any new hedging item should be accounted for in accordance with this policy.

32 Front Office Staff will be responsible for ensuring the documentation as outlined in this policy is completed. Back Office Staff will be responsible for reviewing documentation to ensure compliance with the accounting policy, and ensuring the appropriate accounting treatment.

33 Due to the complexity of derivative instruments, it is unlikely that all situations have been adequately covered in this Policy. Employees should endeavour to follow the spirit of the Policy and consult with Corporate Accounting as required to ensure a particular derivative instrument is accounted for correctly.

TRANSITIONAL PROVISIONS

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

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

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

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

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

COMMON SHARES - 7100

NOVA SCOTIA POWER
An Emera Company

DEFINITION

01 The authorized common share capital of the Company consists of an unlimited number of common shares, no par value, one vote per share on all matters to be voted on by shareholders and entitled to receive dividends as declared by the Board of Directors.

02 Common shares are shown in the financial statements as issued and outstanding shares.

POLICY

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

PROCEDURES

04 The UARB defines the maximum common equity percentage of the total capital structure.

05 Share capital may be issued to maintain an appropriate capital structure. These transactions are recorded in general ledger account 750 - Common Shares.

COMMON DIVIDENDS - 7120

NOVA SCOTIA POWER
An Emera Company

POLICY

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

PROCEDURES

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

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

03 When dividends are paid, the transaction is recorded:

DR	1-610	Dividends Payable	XXXX	
CR	Bank			XXXX

RETAINED EARNINGS - 7200

NOVA SCOTIA POWER
An Emera Company

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]

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

PREFERRED SHARES - 7300

NOVA SCOTIA POWER
An Emera Company

DEFINITION

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

POLICY

02 Preferred shares could be issued in series to maintain an overall capital structure that is within the ranges approved by the Nova Scotia Utility and Review Board ("UARB").

PROCEDURES

03 Proceeds from the issue of preferred shares are recorded in general ledger account 770 - Preferred Shares.

PREFERRED DIVIDENDS - 7320

NOVA SCOTIA POWER
An Emera Company

POLICY

01 Dividends to preferred shareholders and the associated income tax expense (benefit) are accrued as declared and the dividends are paid based on approved Board of Directors' resolutions.

PROCEDURES

02 Preferred dividends are accrued as declared based on an estimate using financial details of the series (dividend rate).

03 An adjustment for Part VI.1 tax and the income tax benefit arising from the deduction related to the preferred share dividend is also recorded as the dividend is declared.

LONG-TERM DEBT - 8100

POLICY

01 Long-term debt issued by the Company is reported net of long-term debt payable in one year, as long-term debt on the balance sheet of its financial statements. Detail of the long-term debt issued by the Company are reported in the notes to the annual financial statements.

02 Certain commercial paper where the Company has the intention and the unencumbered ability to refinance the obligation for a period greater than one year is reported as long-term debt on the balance sheet of its financial statements.[1]

03 Debentures and medium term notes are issued under a trust indenture and are unsecured.

04 Debt defeasance costs are the incremental costs of investments made over the face amount of the defeased long-term debt of Nova Scotia Power Finance Corporation ("NSPFC") placed in trust. The Nova Scotia Utility and Review Board ("UARB") has permitted the Company to defer these costs and recover them over the life of the related NSPFC debt.

1 FASB ASC 470-10-45-14

DEBT DUE WITHIN ONE YEAR - 8110

NOVA SCOTIA POWER
An Emera Company

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]

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

NOVA SCOTIA POWER
An Emera Company

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.

PROCEDURES

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.

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]

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

ACCOUNTS PAYABLE AND ACCRUED CHARGES - 8220

NOVA SCOTIA POWER
An Emera Company

POLICY

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

PROCEDURES

02 Goods or services received but not yet invoiced or entered into Oracle are accrued monthly.

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

INCOME TAXES PAYABLE - 8300

NOVA SCOTIA POWER
An Emera Company

POLICY

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

[1] Please refer to NSPI Accounting Policy and Procedures Manual Section 5900.

DIVIDENDS PAYABLE - 8400

POLICY

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

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

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