Date of Request: January 20, 2011

Ex. N-17

North American Electric Reliability Corporation – Reliability Standards; and
Northeast Power Coordinating Council, Inc. – Regional Reliability Criteria
NERC-R-10/Matter No. M03324

Response to Nova Scotia Utility and Review Board
Date of Response: February 10, 2011

Request IR-1:

Please reference Nova Scotia Power Inc's ("NSPI") letter to the Utility and Review Board dated December 17, 2010.

Please provide any comments regarding this letter, specifically the recommendation with respect to Violation Risk Factors and Violations Security Levels.

NPCC Response:

NPCC is encouraged by NSPI's endorsement of the Regional Reliability Criteria for approval in Nova Scotia. NPCC will defer to NERC regarding NSPI's comments with respect to Violation Severity Levels ("VSLs") and Violation Risk Factors ("VRFs") as they are part of NERC's Reliability Standards filing and not NPCC's Regional Reliability Criteria.

Date of Request: January 20, 2011

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Request IR-2:

Please provide the final report on the 2010 NSPI compliance audit.

NPCC Response:

Enclosed is the public version of the final report on the 2010 NSPI compliance audit.

Pursuant to Section 1505 of the NERC Rules of Procedure as well as internal NPCC policies, the confidential version of the report will be made available to the Board with notice to NSPI.

NPCC, Inc.

NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 TELEPHONE (212) 840-1070 FAX (212) 302-2782

Compliance Audit Report
Public Version

Nova Scotia Power Inc.
NERC ID# NCR07178

Confidential Information (including Privileged and Critical Energy Infrastructure Information) Has Been Removed

Date of Audit: October 5-8, 2010

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Executive Summary

A CIP compliance audit of the Nova Scotia Power Inc. (NSP), NERC ID #NCR07178 was conducted from October 5 to October 8, 2010. At the time of the audit, NSP was registered for the BA, TOP, TO, TP, TSP, PA, GOP, GO, RP, DP and IA functions.

The audit team evaluated NSP for compliance with eight CIP standards and their forty-three requirements and associated sub-requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC CIP Standards for the period of June 30, 2009 to October 5, 2010. NSP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by NSP to assess compliance with standards applicable to NSP at this time.

Based on the information and documentation provided by NSP, the audit team found NSP to be compliant with eight CIP standards and their forty-two requirements and associated sub-requirements. CIP-004 R4 was found to be a possible violation due to the failure to revoke the access of one employee who had passed away and access was not withdrawn within the seven day parameter.

Any Possible Violations will be processed through the NERC and NPCC CMEP. There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

The NPCC audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).[1]

Audit Process

The compliance audit process steps are detailed in the NPCC CMEP. The NPCC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

[1] This statement replaces the Regional Entity Self-Certification process.

Objectives

All Registered Entities are subject to an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.[2] The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to NSP based on the functions that NSP is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards and additional NERC Reliability Standards selected by NPCC;
- Validate compliance with applicable regional standards from the NPCC 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document NSP's compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC CIP Standards from the NPCC 2010 Implementation Plan. In addition, this audit included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, NSP was registered for the BA, TOP, TO, TP, TSP, PA, GOP, GO, RP, DP and IA functions. The audit team evaluated NSP for compliance during the period of June 30, 2009, to October 5, 2010.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the NPCC Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. NSP was informed of NPCC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to NSP. NSP was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. NSP had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by NSP.

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[2] North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

Methodology

The audit team reviewed the information, data, and evidence submitted by NSP and assessed compliance with requirements of the applicable CIP standards. Submittal of information and data was sent to NPCC as requested on or before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the auditor.

The audit team requested and received additional information and sought clarification during the audit.

The audit team reviewed documentation provided by NSP. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. which were validated, substantiated and cross-checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the bulk electric system (BES).

At the completion of the audit all evidence relevant to the findings of the audit were burned onto a DVD the contents hashed and placed in a sealed envelope signed by the audit team and placed in the custody of NSPI under the terms of a custodial agreement. No CIP confidential information was removed from the NSPI site.

Findings were based on the audit team's knowledge of the BES, the NERC Reliability and CIP Standards, and their professional judgment. All findings were developed based upon the consensus of the audit team and the AVP of the NPCC Compliance Audit program.

Company Profile

Nova Scotia Power Incorporated (NSPI) is wholly owned by Emera Inc., a company listed on the Toronto stock exchange (EMA-TSX), with head office located in Halifax, Nova Scotia, Canada. Further information on the parent company can be found at: http://www.emera.com/

Emera Inc. (EMA-TSX) is an energy and services company with $5.4 billion in assets. Electricity is Emera's core business. Approximately 94% of Emera's revenues are earned by Nova Scotia Power Inc (NSPI), Bangor Hydro Electric Company (BHE) and the Brunswick Pipeline. NSPI and BHE are wholly-owned regulated electric utilities which together serve 603,000 customers. The Brunswick Pipeline is a 145 km gas pipeline in New Brunswick. Emera also owns 38% of Barbados Light and Power which serves 120,000 customers on the Caribbean island of Barbados, 19% of St. Lucia Electricity Services Limited, which serves more than 50,000 customers on the Caribbean island of St. Lucia and 25% of Grand Bahama Power Company which serves 19,000 customers on the Caribbean island of Grand Bahama. In addition to its electric utility investments, Emera owns Bayside Power, a 260 MW gas-fired power plant in Saint John, New Brunswick; Emera Energy Services, a physical natural gas and power marketing and asset management business; a joint venture interest in Bear Swamp, a 600 megawatt pumped storage hydro-electric facility in northern Massachusetts; a 12.9% interest in the Maritimes & Northeast Pipeline; and an 8.2% interest in Open Hydro.

NSPI is the principal electric utility in the province of Nova Scotia. The company supplies over 97% of the generation, transmission and distribution of electrical power to 480,000 customers in the province.

NSPI operates in Nova Scotia, in the Maritimes Area of the Northeast Power Coordinating Council footprint. The Maritimes Area Reliability Coordinator is the New Brunswick System Operator (NBSO). Nova Scotia Power is a vertically integrated utility that generates and distributes electricity to virtually all customers located within the province of Nova Scotia, Canada.

NSPI owns and operates approximately 5,200 km of transmission lines, 27000 km of distribution lines (4, 12 and 25 kV), and 200 substations. NSPI's transmission system consists of lines operating at 69, 138, 230 and 345 kV, with a breakdown as follows.

Voltage Level	Length (km)
69 kV	1,668
138 kV	1,786
230 kV	1,253
345 kV	468
Grand Total:	5,175

NSPI is interconnected to the Eastern Interconnection through the New Brunswick system. The primary tie between the two systems is a single 345 kV line connecting Onslow NS to Memramcook NB. In addition to the 345 kV line, there are two parallel 138 kV lines that are also part of the tie between the two systems. These lines connect Maccan and Springhill in Nova Scotia with Memramcook in New Brunswick.

Audit Participants

The following is a listing of all personnel from the NPCC Audit Team and NSP who were present and/or participated in the meetings, interviews and assessment.

NPCC Audit Team Participants

Role	Title	Entity
Lead Auditor	Lead Auditor	NPCC
Auditor	CIP Auditor	NPCC
Auditor	CIP Auditor	NPCC
Auditor	CIP Auditor	NPCC
Auditor	CIP Auditor	NPCC
Auditor	CIP Auditor	NPCC

NSPI Audit Participants

Title	Entity
Project Manager, Control Centre Operations	NSPI
Manager, System Control, Control Centre Operations	NSPI
Technical Consultant (SCADA), Control Centre Operations	NSPI
Manager, IT Security & Projects, Information Technology	NSPI
Security Specialist	CGI
Administrative Assistant, Control Centre Operations	NSPI
HR Consultant, Human Resources	NSPI
Manager HR Client Services, Human Resources	NSPI
Director Reliability & Control Centre Operations	NSPI
Manager, Projects & System Support, Control Centre Operations	NSPI
Business Information Manager, Technical & Construction Services	NSPI
Technical Advisor, Technical & Construction Services	NSPI
Project Manager, Regulatory Affairs	NSPI
Compliance Manager, Control Centre Operations	NSPI

Audit Results

The audit team evaluated NSP for compliance with eight CIP standards and their forty-three requirements and associated sub-requirements, identified in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC CIP Standards for the period of June 30, 2009 to October 5, 2010. NSP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by NSP to assess compliance with standards applicable to NSP at this time.

Based on the information and documentation provided by NSP, the audit team found NSP to be compliant with eight CIP standards and their forty-two requirements and associated sub-requirements. CIP-004 R4 was found to be a possible violation due to the failure to revoke the access of one employee who had passed away and access was not withdrawn within the seven day parameter.

Findings

The following table details the findings for compliance for the scope identified for this audit.

Reliability Standard	Req.	Finding
CIP-002-2	R1	Compliant
CIP-002-2	R2	Compliant
CIP-002-2	R3	Compliant
CIP-002-2	R4	Compliant
CIP-003-2	R1	Compliant
CIP-003-2	R2	Compliant
CIP-003-2	R3	Compliant
CIP-003-2	R4	Compliant
CIP-003-2	R5	Compliant
CIP-003-2	R6	Compliant
CIP-004-2	R1	Compliant
CIP-004-2	R2	Compliant
CIP-004-2	R3	Compliant
CIP-004-2	R4	Possible Violation
CIP-005-2	R1	Compliant
CIP-005-2	R2	Compliant
CIP-005-2	R3	Compliant
CIP-005-2	R4	Compliant
CIP-005-2	R5	Compliant
CIP-006-2	R1	Compliant
CIP-006-2	R2	Compliant
CIP-006-2	R3	Compliant
CIP-006-2	R4	Compliant
CIP-006-2	R5	Compliant
CIP-006-2	R6	Compliant
CIP-006-2	R7	Compliant
CIP-006-2	R8	Compliant
CIP-007-2	R1	Compliant
CIP-007-2	R2	Compliant
CIP-007-2	R3	Compliant
CIP-007-2	R4	Compliant
CIP-007-2	R5	Compliant
CIP-007-2	R6	Compliant
CIP-007-2	R7	Compliant
CIP-007-2	R8	Compliant
CIP-007-2	R9	Compliant
CIP-008-2	R1	Compliant
CIP-008-2	R2	Compliant
CIP-009-2	R1	Compliant
CIP-009-2	R2	Compliant
CIP-009-2	R3	Compliant
CIP-009-2	R4	Compliant
CIP-009-2	R5	Compliant

Compliance Culture

Nova Scotia Power Inc.'s compliance culture was reviewed by the audit team. During all contact, NSP staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability and security. For those that participated in the audit, it was clear that all were committed to both compliance and the improved reliability and security that a strong compliance program leads to.

Additional information pertaining to the compliance culture of NSP can be found in the Internal Compliance Survey.