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Request IR-1:

Reference: Exhibit N-1(i), page 71 0f 161

Is NSPI's 2009 Compliance restatement referenced throughout NSPI's pre-filed evidence solely a result of moving from Canadian GAAP to US GAAP for reporting purposes?

Response IR-1:

The 2009 Compliance restatement was not related to NSPI's transition to US GAAP. The restatement was related to the restructuring of Technical and Construction Services group and the development of the Sustainability group, as noted in the Application, DE-03 – DE-04, page 72 of 161, lines 15-25.

Request IR-2:

Reference: On page 11 of 161 of Exhibit N-1(i), NSPI notes that since rates were last adjusted in 2009, to the end of 2012, NSPI will have invested more than $900 million in capital projects and that using the new depreciation rates, NSPI's depreciation expense will grow by $33.0 million in 2012 (revenue requirement after tax effect will be $47.8 million). NSPI also notes that renewable investments are also bringing tax reductions that are largely offsetting the costs of new renewable projects in the early years, and that it is forecasting a decrease in taxes of $72 million in 2012.

(a) How much of NSPI's $900 million investment in capital projects relate to renewable investments to meet obligations under the Renewable Electricity Regulations?

(b) How much of NSPI's growth in depreciation expense in 2012 relates to renewable investments to meet obligations under the Renewable Electricity Regulations?

(c) How much of NSPI's forecasted decrease in taxes in 2012 relates to renewable energy tax deductions in respect of projects undertaken to meet obligations under the Renewable Electricity Regulations?

Response IR-2:

(a) Approximately $400 million of the $900 million investment in capital relate to renewable investments.

(b) There is approximately $8 million of additional depreciation expense in 2012 forecast relating to the new renewable investments.

(c) Please refer to NPB IR-29.

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Request IR-3:

Reference: On page 62 of 161 of Exhibit N-1(i), NSPI notes that its 2012 OM&G request includes $12.5 million (out of NSPI's total requested OM&G increase of $31.8 million) relating to additional investments in reliability, storm response and OM&G associated with the operation of three new wind projects (Digby, Nuttby and Point Tupper) that went in service at the end of 2010.

On page 63 of 161 (Figure 5.1) and page 74 of 161 (Figure 5.5) NSPI identifies an increase of $5.4 million in OM&G relating to renewable project operating costs in the three wind projects.

On page 85 of 161, NSPI notes that its Technical and Construction Services group OM&G will increase by $4.1 million, a portion of which is related to renewable development.

On page 87 of 161 of Exhibit N-1(i), NSPI identifies a $500,000 increase in consulting costs in its Sustainability Group driven mainly by renewable energy development activities associated with the Renewable Energy Standard compliance requirement for 2015 and beyond.

(a) Please provide a breakdown, by project, of NSPI's total OM&G increase, since 2009, resulting from renewable investments to meet obligations under the Renewable Electricity Regulations.

(b) For each project (Digby, Nuttby and Point Tupper), please compare the OM&G increase now identified for 2012 with the OM&G increase that was projected for the project in the materials NSPI filed with the NSUARB in support of each project's approval. Please provide a detailed explanation for any discrepancy between what

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was projected at the time of capital approval and what NSPI is now seeking in its request for increased rates.

(c) How does the $5.4 million compare to the $7.0 million increase shown in the tables for Hydro and Wind Energy (2012 Fct. Vs 2009 Compliance Restated) in Appendix C, at pages 32 and 33 (of 49)?

Response IR-3:

(a) Please refer to NPB IR-63 for the increase included in the 2012 revenue requirement related to NSPIs OM&G costs in renewable investments for Renewable Electricity Regulation compliance.

(b) Please refer to the table below for a comparison of the OM&G costs for each of the projects listed below compared to the 2012 OM&G costs filed with the UARB.

	2012 GRA ($M)	**2012 Costs NSUARB Filing ($M)**	**Variance ($M)**
Nuttby Wind Project	2.3	2.3	0.0
Digby Wind Project	*2.0	2.0	0.0
Point Tupper Wind Project	0.7	0.5	0.3
Manager, Wind Energy & CT's	0.1	0.0	0.1
Total	**5.1**	**4.7**	**0.4**

Note: Numbers presented in the above table reflect whole numbers which may cause rounding differences of $0.1M.

*In preparing this response NSPI noticed $0.3 million of Digby Wind OM&G is not required in the 2012 request. NSPI is prepared to make the appropriate change.

Increased costs included in the current 2012 Test Year over the NSUARB Filings can be attributed to the following:

- Point Tupper Wind Project: increased costs based on updated operating budget as submitted by RESL with NSPIs proportional share.

- Other: included in the current 2012 GRA is the addition of one FTE (Full Time Equivalent). This position is the Manager of Wind Energy and CT's, responsible for all generation related to IPP's, NSPI Wind Farms and Combustion Turbines.

(c) The $7.0 million increase in Hydro and Wind Energy for the 2012 test year over 2009C restated, includes the $5.4 million increase related to Nuttby, Digby and Point Tupper Wind Projects. The remaining increase in OM&G is related to NSPI's Hydro fleet and pre-2009C NSPI-owned small wind turbines.

Request IR-4:

Reference: In its application, NSPI seeks to have OM&G, financing and depreciation associated with its portion of the Point Tupper Wind Farm recovered through the fixed rate component of its rates, rather than as currently recovered through the FAM.

(a) **Do NSPI's projected $33 million increase in depreciation expense since 2009 (noted on page 11 of 161 of Exhibit N-1(i)) and its $31.8 million increase in OM&G compared to 2009C (noted on page 62 of 161 of Exhibit N-1(i)) include amounts relating to Point Tupper presently recovered under the FAM?**

(b) **Assuming that NSPI's request is granted, and Point Tupper costs are shifted from the FAM to other components of its revenue requirement, what is the net forecasted difference in amounts paid by ratepayers in respect of the Point Tupper Wind Farm in 2011 and 2012, and what accounts for this difference?**

Response IR-4:

(a) Yes.

(b) NSPI is proposing to change the method of recovery for these costs to better align with fuel and fixed cost recovery categories. There is no change in the underlying costs and therefore no effect on the overall total revenue requirement.

Request IR-5:

Reference: On page 87 of 161 of Exhibit N-1(i), NSPI identifies a $500,000 increase in consulting costs in its Sustainability Group driven mainly by renewable energy development activities associated with the Renewable Energy Standard compliance requirement for 2015 and beyond. In Appendix C, at page 24 of 49, NSPI identifies a $548,000 increase in consulting due to RES Compliance efforts and re-allocation of contracts to consulting.

(a) Please identify the specific increase in consulting work associated with renewable energy development activities associated with the Renewable Energy Standard compliance requirement for 2015 and beyond.

(b) Please identify the nature of the renewable energy related consulting work required in 2012 and explain why this work cannot be done by NSPI?

(c) Will any of the renewable energy related consulting work be undertaken by NSPI affiliates, and if so how much and by which affiliates?

(d) Have the consultants for the renewable energy related work been retained, and if so, who are they?

(e) What is meant by the "re-allocation of Contracts to Consulting"?

Response IR-5:

(a-b) The forecast for consulting work will cover development activities for renewable energy projects. As an example, in the case of wind projects these could include:

- Wind assessment work including the erection of met towers, leasing land for towers and analysis of wind data.

- Securing land access rights to enable the conduct of field studies.

- GIS constraint analysis and field studies of land features including wetland delineation that could make sites unsuitable for development.

- Geotechnical studies.

- Bird and bat studies.

- Archeological and traditional ecological knowledge studies.

- System impact studies.

- Due diligence on turbine manufacturers.

- Public consultation activities.

- Legal support for related commercial activities including activities for title search work for land.

Other renewable alternatives such as tidal, hydro and biomass will also require feasibility assessment work that will be funded from the consulting forecast to the extent that third party assistance or rights are required.

For projects that are constructed, these types of expenditures are included in the capital cost. However, development will be undertaken on sites or projects that turn out to be infeasible or higher cost. The associated cost will be expensed.

To the extent that NSPI staff has capacity and expertise for this work, they are and will be used. Often specialized expertise is required and appropriate third parties will be engaged.

(c) It is not expected that NSPI affiliates will be undertaking this work.

(d) Consultants have not been retained for 2012 and subsequent activity.

(e) A forecast for Contracts was amalgamated in the Consulting cost category.

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Request IR-6:

Reference: Exhibit N(i), Appendix C, pages 2 of 49

In the row labeled "Renewable Planning", why is an amount showing for "2009 Compliance" column, but not in the other columns (including the "2012 Forecast" column")?

Response IR-6:

Please refer to Liberty IR-115.

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Request IR-7:

Reference: NSPI's Five Year OM&G Forecast, Figure 5.23 (Exhibit N-1(i), p. 92 of 161)

For each year shown in Figure 5.23, please specifically identify the change in OM&G resulting from renewable investments to meet obligations under the Renewable Electricity Regulations.

Response IR-7:

NSPI's Five Year OM&G Forecast includes operating costs related to Digby, Nuttby and Point Tupper Wind Farms as well as the Port Hawkesbury Biomass Project. In 2014 and 2015, NSPI forecasted two additional wind farms to meet RES compliance.

Please refer to the table below for the change in OM&G resulting from renewable investments.

Renewable Investments	2011F	2012	2013	2014	2015	2016
OM&G Costs ($M)	[redacted]	5.5	5.7	8.2	10.8	11.1
Increase ($M)	[redacted]	[redacted]	0.2	2.5	2.6	0.2

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Request IR-8:

Reference: Electricity Act, S.N.S. 2004, c.25 and the Renewable Electricity Regulations, N.S. Reg. 155/2010.

On page 13 of 161 of Exhibit N-1(i) NSPI states: "Our move to renewables accounts for a relatively small part of the cost pressures necessitating this application. As mentioned earlier, the tax benefits of investment in renewable projects have helped us avoid a General Rate Application in recent years."

On page 94 of 161, NSPI notes that the transformation to renewable energy sources shifts expenses from fuel to capital.

What is the net impact of NSPI's efforts to comply with Nova Scotia's Renewable Electricity Standards on its 2012 revenue requirement (compared to when rates were last set) taking into account all cost impacts and savings? Please provide a breakdown by cost category (ex. fuel, OM&G, depreciation, etc.).

Response IR-8:

Please refer to the table below.

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Estimated Cost of Renewables	**2012 ($M)**
OM&G	5.4
Depreciation [1]	11.7
Taxes [1]	(15.5)
Cost of Capital	14.9
Total Revenue Requirement	16.5
Fuel Costs	(14.7)
IPP costs vs. no renewables[2]	27.3
	29.1
Notes:	
(1) Amounts have been grossed up for tax for purposes of calculating the revenue requirement	
(2) Purchased Power from Independent Power Producers. Of the $27.3 million indicated, approximately $24 million is already included in the 2011 Base Cost of Fuel.	

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Request IR-9:

Reference: On page 7 of 37, Exhibit N-1(i), Appendix G, NSPI is also proposing that the sacrificed asset costs associated with early retirements of non-LED fixtures, due to the LED deployment, be treated as a BTL item. These costs would be recouped through a conversion fee and applied to all full service non-LED streetlight customers at the time of their conversion.

(a) What is the value of the "sacrificed assets" that NSPI proposes to recover through conversion fees?

(b) Over what period of time would the remaining costs associated with the "sacrificed assets" have been recovered if they were not going to be retired early?

Response IR-9:

(a) The value of the "sacrificed assets" that NSPI proposes to recover through conversion fees, before accounting for their disposal costs, is $23.1 million.

(b) The remaining costs associated with the "sacrificed assets" would have been recovered over 18.8 years. Please refer to HRM IR-32.

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Request IR-10:

Reference: On page 17 of 37, Exhibit N-1(i), Appendix G, NSPI notes that an unknown disposal cost is also associated intended to be included in the conversion fee.

(a) What is the basis for the disposal cost?

(b) Has NSPI determined the amount of the disposal cost since preparing this evidence?

(c) Has NSPI explored any options for cost recovery associated with these assets through reuse, recycling or by other means?

Response IR-10:

(a-c) The evidence notes that a disposal or salvage amount will be included in the conversion fee. The existing lights will need to be reused, recycled or disposed of. This could be a cost or a credit, depending on the approach and the value assessed.

Existing streetlights that are being replaced by LEDs today are being removed and recycled/disposed at an estimated fee of $17/light. The final charge will be based on the actual cost to NS Power.

NSPI will assess the disposal/salvage options for the large scale deployment as part of the project.

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Request IR-11:

Reference: On page 7 of 37, Exhibit N-1(i), Appendix G, NSPI proposes a change in the treatment of non-LED fixture depreciation costs, permitting it to use budgeted streetlight depreciation costs available from its financial information systems rather than the current cost determination system in the COSS.

In 2012, what is the amount of the difference between the current and proposed approaches to the treatment of non-LED fixture depreciation costs?

Response IR-11:

The amount of the difference between the current and proposed approaches to the treatment of non-LED fixtures in 2012 is negative $0.6 million ($1.8 million - $2.4 million). Please see the last paragraph in section 2.1 Cost of Service Studies on page 5 of Appendix G for the reasons behind the proposed change.

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Request IR-12:

Reference: On page 1 of 26, Exhibit N-1(i), Appendix H, NSPI refers to a letter from the NSUARB dated January 25, 2011 regarding the Extra Large Industrial Two Part Real Time Pricing (ELI 2P-RTP) Tariff 2010 Annual Report.

Please provide copies of the referenced letter and Annual Report.

Response IR-12:

Please refer to Attachments 1 and 2.

Regarding Attachment 2, NSPI has not provided the confidential version of this report as it contains customer specific information.

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January 25, 2011

By email: eric.ferguson@nspower.ca
Mr. Eric Ferguson
Director, Regulatory Affairs
Nova Scotia Power Inc.
14th Floor, Barrington Tower
P. O. Box 910, Scotia Square
Halifax, NS B3J 2W5

Dear Mr. Ferguson:

Nova Scotia Power Inc. – Annual Review of Extra Large Industrial Two Part Real Time Pricing Tariff (ELI 2P-RTP) 2010 Annual Report – P-883 / Matter No. M03762

On December 3, 2010, NSPI filed its 2010 Annual Report regarding the Extra Large Industrial Two Part Real Time Pricing ("ELI 2P-RTP") Tariff. NSPI also sent a copy of the report to Mr. David MacDougall, who is the solicitor for the two customers on this rate, NewPage Port Hawkesbury Corp. and Bowater Mersey Paper Company Limited. The Board received no comments from these two customers or from Mr. MacDougall.

In its report, NSPI has stated that the total revenue billed under this tariff was $115.8 million during the November 1, 2009 to October 31, 2010 time period. In addition, NSPI identified several "aspects for further review" and stated that the Company intends to continue working with customers on this tariff to address problems as they arise. One of the items identified is an under-recovery of fixed costs in 2010, which NSPI estimated to be $2.9 million below the amount anticipated in the most recent General Rate Application ("GRA"). NSPI has also forecast a 2011 under-recovery of non-fuel costs in the amount of $5 million.

The Board has reviewed this annual ELI 2P-RTP report and notes that NSPI is not proposing revisions to the tariff at this time. However, the Board anticipates that the issues which have been identified for further review will be addressed when NSPI files its next GRA.

Yours very truly,

Nancy McNeil

Nancy McNeil
Regulatory Affairs Officer/Clerk

c.c. S. Bruce Outhouse, Q.C., Board Counsel — By email
David S. MacDougall, McInnes Cooper — By email

NOVA SCOTIA POWER
An Emera Company

Extra Large Industrial
Two Part Real Time Pricing Tariff
(ELI 2P-RTP)

2010 Annual Report

Redacted

This report is filed in response to the UARB Directive- Annual Review of ELI 2P-RTP Tariff – P 883 issued on September 7, 2007. This directive stated:

"The following list provides the general topics that the Board expects to be covered in the report. Parties are free to comment on any additional items they wish to bring to the Board's attention, with the exception of price adjustments which, as the Board's decision stated, does not form part of this review.

- *a) A general description of the past year's operation under the tariff.*
- *b) Details of each customer's operation under the rate, including monthly energy sales, ability to load shift, customer savings, etc.*
- *c) Problems that have occurred with respect of the tariff, including both those that have been resolved by the parties (and what the resolution was), and problems that are still outstanding. Parties should include recommendations for the resolution of any outstanding problems.*
- *d) Benefits of the tariff, including benefits to NSPI, customers on the rate, and to the overall system.*
- *e) Recommendations for changes to the existing tariff.*
- *f) Other issues."*

Table of Contents

Executive Summary

The Extra Large Industrial Two-Part Real Time Pricing ("ELI 2P-RTP") Tariff is available to two customers; the Bowater Mersey Paper Company Limited ("Bowater"), and NewPage Port Hawkesbury Limited ("NewPage"), collectively referred to as "NPB". NewPage purchases all of its electrical energy from NSPI under this tariff. Bowater purchases energy taken above 42 MW under this tariff, while energy taken below 42 MW is purchased under tariffs made available through the Mersey Agreement. There are aspects of the Mersey Agreement that typically govern billing below 42 MW that have an effect on Bowater's billing under the ELI 2P-RTP tariff.

This Annual Report covers the period from November 1, 2009 to October 31, 2010.

Total energy sold at the Standard Energy Charge (SEC) was 1,979 GWh[1]. Total energy used was 1,904.7 GWh. The total revenue including customer charges and contribution towards the Energy Efficiency programs for this period was $115.8 million at an average of $60.53/MWh. Energy sales were substantially higher than for the previous reporting period as fewer market-related shut down periods were taken by the subscribed customers. Energy sales under the Customer Baseline Level (CBL) and usage remain lower than the energy expectations used for rate setting purposes.

The average marginal cost was lower than the Standard Energy Charge. The difference in marginal costs between on- and off-peak periods was relatively small. ELI 2P-RTP customers therefore did not materially reduce their power bills through the use of the credit/debit mechanism during this period.

Each customer reduced their Customer Baseline Level for non maintenance reasons on only one occasion during the year. This is in contrast to the multiple reductions experienced during the previous reporting period.

The Tariff allows these customers to lower their CBL for market reasons, and other reasons, between general rate applications. The CBL can be lowered during annual CBL setting or ad hoc adjustments partway through a year. Any reduction in the CBL energy below the energy level assumed for the ratemaking purposes of the most recent General Rate Application (GRA) lowers the non-fuel cost contribution of this class in exactly the same proportion. This does not occur with load reductions of any other large customers of NSPI. All other large customers are billed under ratcheted demand rate structures which have a mitigating effect on the under-recovery of non-fuel related costs due to declining consumption. During this reporting period, the combined NPB CBL level was lower than the level used for rate setting purposes during the 2009 GRA by 119 GWh. This represents a forgone recovery of non-fuel related costs of $2.9 million

[1] This figure includes a volume of energy taken above 42 MW at Bowater but billed at the energy portion of the Large Industrial Interruptible Rate as per the Mersey Agreement.

1. Introduction

The ELI 2P-RTP tariff was primarily developed and proposed by NPB during hearings held in the summer of 2006. Both Bowater and NewPage began taking energy under the tariff on December 1, 2006.

The ELI 2P-RTP tariff is intended to:

1. Provide a pricing mechanism to allow customers to modify their historic hourly energy usage patterns in response to pricing signals, with the goal of reducing their overall energy costs.
2. Reduce demands on NSPI's system when high cost generation would otherwise be required.
3. Provide priority interruptible load to NSPI, second only to load served under the Generation Replacement and Load Following (GR & LF) Tariff.

This annual report summarizes the performance and operation of the ELI 2P-RTP for the period November 1, 2009 to October 31, 2010.

2. Rate Description

The tariff has a number of components which factor into billing each month:

1. A customer charge ($/month).
2. An access charge, known as the CBL Base Cost.
3. Incremental charges for energy taken above the CBL, calculated as a function of the incremental energy taken (including line losses) multiplied by the hourly marginal cost as posted 20 minutes ahead of the hour. The marginal cost forecast used for this purpose is calculated under the assumption that the ELI 2P-RTP customers will be operating at CBL levels.

4. Decremental credits, based on energy reduction (including line losses) from the CBL multiplied by the posted marginal cost, adjusted using a three tiered pricing approach. This mechanism includes a hedge to subscribed customers by returning at a minimum, the CBL Base Cost in the second and third tiers when customers reduce load during low marginal cost hours.
5. An incremental Export Benefit Credit.

3. General Overview of the Operation of the Tariff

This tariff is intended to provide hourly price signals to customers to assist in reducing their overall energy costs by reducing load when energy costs are high, and shifting this energy usage to hours in which energy costs are lower. In concept, this behaviour is intended to take advantage of the differential in fuel costs between the higher and lower cost hours. The calculated net savings are to be passed on to the participating customers.

As stipulated by the Tariff, marginal costs used for pricing are forecast using the customers' combined CBL values as input into the estimation of the total system energy requirement for each hour, regardless of their actual load at the time. The effects of exporting electricity and natural gas purchased under long term contracts are excluded from the marginal cost calculations for this class.

Marginal Cost (MC) forecasts are calculated based on best current information for medium and short term forecasts. The forecast MC becomes the set price at 20-minutes ahead of the hour. These price signals are communicated to ELI 2P-RTP customers via a dedicated website.

The Standard Energy Charge for this tariff is calculated in recognition that ELI 2P-RTP customers are second only to GR & LF customers in terms of supply interruptibility. The subscribed customers receive a discount equivalent to the discount afforded to the

Large Industrial Interruptible Rider customers per kVA, plus an additional 15% premium interruptible discount.

When ELI 2P-RTP customers are called upon to reduce load under the provisions of interruptibility, the RTP pricing mechanism is suspended. Participating customers were called to interrupt on five occasions in this period, usually for short durations, whereas the Large Industrial Interruptible Rider customers were interrupted twice. Supply interruptions are deemed to reduce the opportunities available to use energy taken at the Standard Energy Charge during the interruption event. The rate therefore stipulates that the customer is to receive an equivalent volume of "incremental" energy following the interruption event at the Standard Energy Charge, rather than marginal cost. The recovery clause is intended to allow the customers to recover all lost production opportunity due to supply interruptions without any further financial risk.

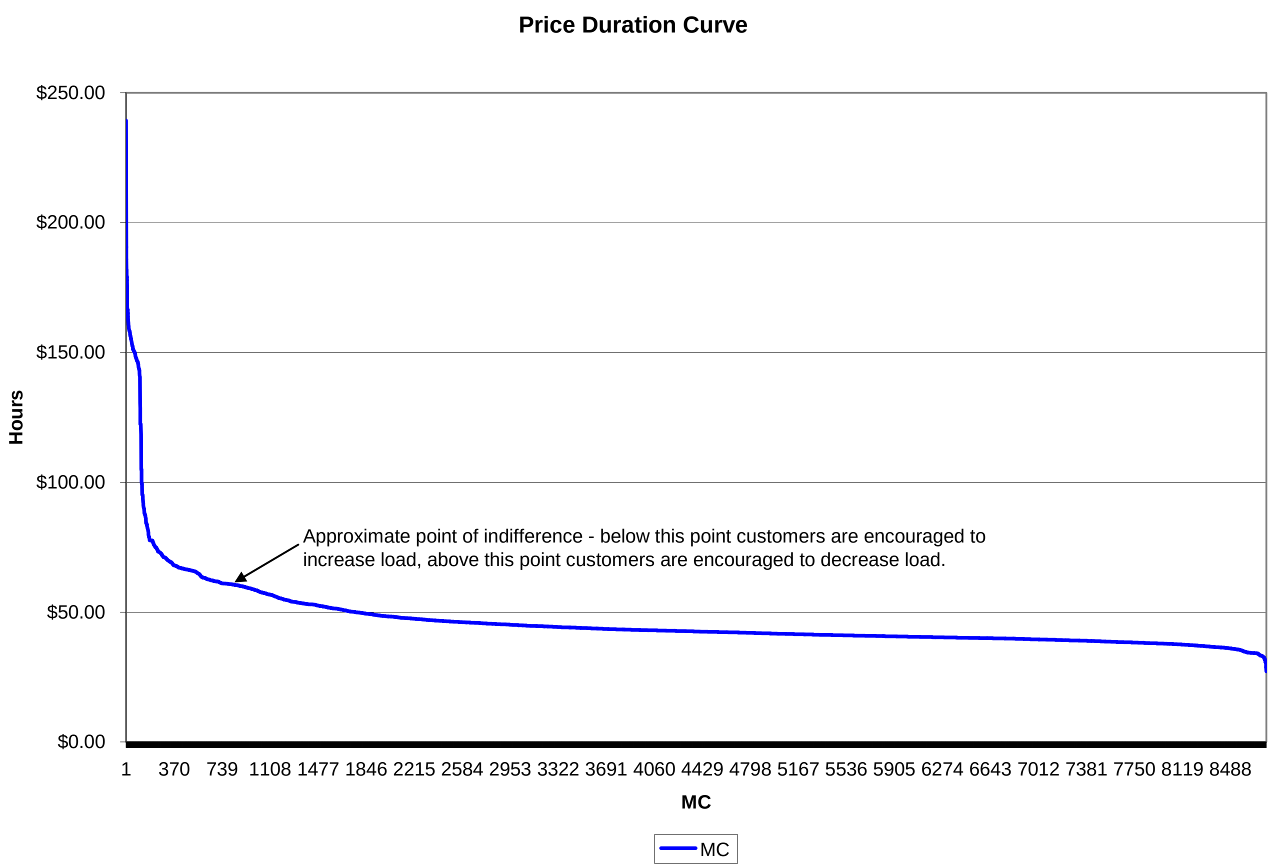
4. Pricing

For the first two months of the reporting period, the Standard Energy Charge as approved by the Board, was set at $61.87/MWh. Due to a reduction resulting from the Fuel Adjustment Mechanism (FAM) the rate was reduced from January 1, 2010 to $59.83. A new cost component aimed at the collection of contributions towards the Energy Efficiency Programs was introduced January 1, 2010 to set the final cost of energy under the CBL at $60.32/MWh for 2010. The customer charge was $20,700 per month, per customer. The revenue received under the rate was $115.3 million at $60.53/MWh on average, excluding revenue from customer charges. Customer Charge revenue was $0.496 million. The total revenue billed under this tariff was $115.8 million.

Marginal costs during this period were typically lower than the Standard Energy Charge and predominantly reflected natural gas prices and coal prices. The average marginal cost of coal fired power production units was quite similar to those using natural gas. Natural gas was substantially lower priced than heavy fuel oil. This made it more cost effective for NSPI to combust natural gas at the Tufts Cove power plant rather than to resell gas purchased on a long term contract. The three Tufts Cove steam units and the two LM 6000 combustion turbines were often on the margin for the purposes of pricing the ELI 2P-RTP tariff. The average on-peak MC posted was $48.73/MWh, while the average off-peak MC posted was $44.69MWh.

Price Duration Curve

Figure 1: Price Duration Curve showing Marginal Cost versus hours of the year; 1 November 2009 – 31 October 2010



5. Customer Performance in Response to Price Signals

In the 2009 Rate Application, the energy forecast to be required under this tariff used to determine the Standard Energy Charge was 2,098.3 GWh. Because the CBLs are permitted to be reset each calendar year and may also be adjusted during the year, the combined total CBL energy for this reporting period was 1,979 GWh. During the reporting period both customers requested CBL reductions for market-related shutdowns. The customers' actual energy usage was 1,904.7 GWh, 74.3 GWh less than the energy corresponding to the adjusted CBL, and 194 GWh less than anticipated when the SEC was determined in 2009 GRA.

ELI 2P-RTP customer savings (versus the Standard Energy Charge alone) resulting from load shifting was $35,343 combined[2]. The average Decremental Credit paid to customers was $51.83/MWh while the average incremental cost charged was $45.30/MWh.

The highest hourly marginal cost posted during this period was $239.31/MWh. During that hour, the combined demand of ELI 2P-RTP customers was 68.6 MW below their combined CBL level. The lowest posted hourly marginal cost was $27.16/MWh. In that hour NewPage was 5 MW above their CBL level and Bowater was shut down for market reasons.

Total Incremental Energy, defined as energy required above the CBL, was 120.2 GWh, priced at an average of $45.30/MWh. Total Decremental Energy, defined as energy reductions from the CBL and used to determine credits paid to customers was 194.3 GWh, priced at an average credit of $51.83/MWh.

The decremental credits paid were higher than marginal costs in many hours of the year and were therefore also above NSPI's avoided costs. By design, credits were intended to reflect the avoided costs and that is why marginal costs used to credit customers are

[2] The total savings was 0.031% of total revenue received under this tariff.

subject to adjustments. These marginal costs are scaled down if the load reductions to which they apply exceed certain thresholds, referred to as tiers. However, this adjustment includes a floor price and as such can not produce credits which are below the standard energy charge in the second and third tiers. At the times of low hourly marginal costs the floor in the mechanism can produce unintended results such that credits paid can actually be higher than hourly marginal costs. The total credits paid to customers were $245,104 higher than the amount that would have been paid had hourly marginal costs, been directly applied (that is without any adjustments) during this period

The combined price response of ELI 2P-RTP customers was as follows:

Table 1: Combined Response (excluding line loss adjustment)

MC Price Range	Incremental Energy (GWh)	Decremental Energy (GWh)
Below $45/MWh	86.8	116.3
$45.01 to $60.00/MWh	25.24	47.95
$60.01 to $90.00/MWh	7.23	23.414
Over $90.01/MWh	0.6	5.96
Total	119.87	193.624

Incremental energy as a percentage of total energy used = 6.3 %

Decremental Energy as a percentage of total energy used = 10.2 %

6. Bowater Mersey

Bowater purchases energy under the Mersey Basic Block (MBB), Mersey Additional Energy (MAE) and the ELI 2P-RTP tariffs. Bowater took one shutdown period for market reasons during this period.

The MBB and MAE tariffs, the latter currently priced at the Large Industrial Interruptible Rider (LIIR) tariff, apply to all energy taken below 42 MW. Energy taken above 42 MW is taken under the ELI 2P-RTP tariff. The Mersey Agreement however, has an effect on the cost of energy taken above 42 MW. This is caused by a “top up” of MAE energy, because the Agreement requires that the MAE energy be augmented to 100% load factor, at Mersey System cost. This is achieved by topping up any gaps in energy taken up to a 100% load factor below 42 MW by transferring energy taken above 42 MW to the MAE rate, which reduces the volume of energy billed as ELI 2P-RTP energy. This reduces the energy cost to Bowater, and also reduces NSPI’s fixed cost recovery.

During periods when Bowater was operating at their normal CBL level, it generally ran close to its CBL energy level. Bowater was able to achieve savings due to the operation of the RTP mechanism during this period.

CBL determination for the year

Bowater’s energy from the approved reference period, October 1, 2008 to September 30, 2009 was used to develop the CBL for 2010. NSPI adjusted the hours of operation used as the denominator in the CBL calculation to reflect the market related downtime taken during the reference period, and after consultation with Bowater agreed on a minor adjustment to account for maintenance performed during market related shut down periods that would normally have been performed during shut downs specifically for maintenance reasons. The price response table below indicates the response for those hours in which Bowater was in normal operating mode.

Price Response

Table 2: Bowater Response

MC Price Range	Incremental Energy (GWh)	Decremental Energy (GWh)
Below $45/MWh	[redacted]	[redacted]
$ 45.01 to $ 60/MWh	[redacted]	[redacted]
$60.01to $ 90/MWh	[redacted]	[redacted]
Over $90.01/MWh	[redacted]	[redacted]
Total	[redacted]	[redacted]

Incremental energy as fraction of ELI 2P-RTP energy taken = [redacted]

Decremental Energy as fraction of ELI 2P-RTP energy taken = [redacted]

Bowater's CBL was set for 2010 based on an energy expectation of [redacted] GWh. The total energy used by Bowater above 42 MW was [redacted] GWh, of which [redacted] GWh was billed under the LIIR tariff (as Mersey Additional Energy). The average rate paid for energy taken above 42 MW, factoring in credits and incremental energy, but excluding customer charges, was $[redacted]/MWh. The total revenue collected by NSPI for energy served above 42 MW was $[redacted] million.

The Effect of the Mersey Agreement on ELI 2P-RTP revenue

The Mersey Agreement affords Bowater a volume of 42MW x 8760 hours at the two Mersey Agreement components, being the Mersey Basic Block (MBB) and Mersey Additional Energy (MAE), the latter currently priced at the Large Industrial Interruptible Rate (LIIR). The LIIR is normally served at a load factor exceeding 120%.[3] Energy taken under the Mersey Agreement is topped up by transferring energy

[3] The reason this energy is served at a load factor of over the theoretical maximum, thus at a lower blended rate than theoretically possible on this tariff, is that more energy is allocated under the Agreement as MAE than could be taken during a month at a 14 MW peak demand.

taken above 42 MW to below 42 MW if energy actually taken below 42 MW was less than 100% load factor during each month. This has a negative effect on NSPI's fixed cost recovery. Instead of earning $22.36/MWh towards fixed cost recovery, as allocated under the Standard Energy Charge, the fixed cost recovery is reduced to $16.06/ MWh which is that associated with the energy portion of the LIIR. The total energy topped up from during this reporting period is [redacted] MWh. This reduced Bowater's energy cost by $[redacted] compared to that under the Standard Energy Charge. It caused a reduction in non-fuel cost recovery to NSPI for energy served above the 42 MW of $[redacted].

Non Fuel Cost Recovery

Due to the market related downtime and the Mersey effect on earnings under this tariff NSPI has under recovered $[redacted] million towards fixed costs associated with serving this customer.

Summary

Through the 2P-RTP mechanism, Bowater saved $[redacted] versus standard access charges applicable to energy purchased under their CBL. For Bowater that is the costs associated with a blend of the ELI 2P-RTP Standard Energy Charge and the energy component of the Large Industrial Interruptible Rate

Bowater Performance Data:

Table 3: Bowater Performance Data

[redacted]

Notes:

- The Standard Energy Charge amount varies not only due to CBL energy volumes for each month, but also according to the volume of Mersey Agreement unused energy from month to month.
- Customer charge excluded.
- Incremental and decremental energy shown includes line loss adjustment.
- As from January 1, 2010 the Energy Efficiency Adder was added to the SEC, and the SEC was lower through the FAM adjustment. These adjustments are included in the figures shown in the table.

7. NewPage Port Hawkesbury

The CBL for NewPage for 2009 was estimated at [redacted] MW for rate setting purposes, and was set at that level for the first two months of this period. As NewPage's actual energy usage during the 2008-2009 reference period[4] was substantially lower than forecast, their CBL level was adjusted to [redacted] MW from January 1, 2010. The reduction in the CBL level resulted in an under recovery of non-fuel cost from this customer of approximately $[redacted] million over the first 10 months of 2010, expected to be $[redacted] million for the full year. NewPage took one partial CBL reduction for market related reasons ([redacted] hours at [redacted] MW), and no declared maintenance downtime during this period.

Price Response

Table 4: NewPage Price Response excluding line loss adjustment

Price Range MC	**Incremental Energy (GWh)**	**Decremental Energy (GWh)**
Below $45/MWh	[redacted]	[redacted]
$ 45.01 to $60/MWh		
$60.01 to $90/MWh		
Over $90.01/MWh		
Total		

Incremental energy as fraction of total energy taken = [redacted]

Decremental energy as fraction of total energy taken = [redacted]

During this period NewPage consumed [redacted] GWh less than the energy associated with its CBL energy, including the adjustment made for the market related downtime.

NewPage paid $[redacted] more for its energy under the 2P-RTP mechanism than would have been the case if only the Standard Energy Charge was in place.

The energy reduction due to NewPage's market related CBL reduction was [redacted] GWh.

At times NewPage reduced its demand even though electricity prices were low. In such instances the credit received for the avoided fuel costs is lower than the Standard Energy Charges paid by NewPage.[5] The cost impact of this was somewhat mitigated for the customer due to the floor price of the second and third tiers of the credit calculations. At these times, however, the credit paid to ELI 2P-RTP customers exceeded NSPI's fuel savings. The total credits paid to NewPage were $[redacted] more than would have been the case had marginal cost been paid for all load reductions. The tiered system was intended to approximate avoided costs which are typically lower than marginal costs.

The total energy used in this reporting period by NewPage was [redacted] GWh at an average of $[redacted] MWh and a total cost of $[redacted] million including customer charges.[6] The CBL for NewPage for 2011 is set at [redacted] MW.

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[4] The Reference Period used for CBL setting is stipulated in the tariff as the period from October 1 to September 30.

[5] The SEC is set as a function of the average forecast fuel cost, as adjusted by the FAM, and non-fuel costs associated with this rate class.

[6] In the previous reporting period the total energy used by NewPage was [redacted] GWh at an average of $[redacted] MWh and a total cost of $[redacted] million including customer charges.

NewPage Performance Data:

Table 5: NewPage Port Hawkesbury Performance Data.

[redacted]

Notes:

- Total Cost shown excludes customer charges.
- Incremental and decremental energy excludes line losses
- As from January 1, 2010 the Energy Efficiency Adder was added to the SEC, and the SEC was lower through the FAM adjustment. These adjustments are included in the figures shown in the table.

8. Benefits of the Tariff

Benefits to ELI 2P-RTP Customers

There are two categories of benefits to subscribed customers, the first relating to a reduced rate (before any shifting), and the second relating to the opportunity to earn savings from net credits paid for shifting from higher to lower cost periods.

The approved Standard Energy Charge of the ELI 2P-RTP Tariff is lower than the next best alternative, the Interruptible Rider of the Large Industrial Tariff.

- This rate is currently set using a revenue-to-cost ratio of 91%.
- In addition to the standard manner in which export margin is allocated to all above-the-line ("ATL") rate classes to calculate rates, ELI 2P-RTP customers receive 15% of actual export margins realized.
- ELI 2P-RTP customers are not required to pay demand charges for their actual monthly peaks. They pay for an assumed co-incidental peak contribution based on their average load (CBL). All other large industrial customers pay demand charges based on their actual peak or ratchet peak level set in winter.
- The ELI 2P-RTP rate is calculated based on the assumption that these customers have a 100% load factor prior to responding to price signals. They receive a lower Standard Energy Charge as a result.
- The ELI 2P-RTP tariff provides a 15% additional premium on the credit provided for supply interruptibility.
- Customers on energy and demand tariffs pay a higher price per MWh when they have lower load factors due to energy reductions, but ELI 2P-RTP customers receive a fixed rate, set as if the customer had a 100 per cent load factor, regardless of actual energy and demand.
- The ELI 2P-RTP tariff is the only two part real time pricing tariff known to NSPI where customers can adjust their CBL and thereby reducing the monthly access fee.

Benefits to NSPI and Other Customers

Peak Reduction

Customer contributions to NSPI's system peaks in the winter of 2009/2010 are shown in Table 6 below:

Table 6: NPB demand at NSPI system peak

Date & Time	System Peak MW	Marginal Cost	Combined CBL MW	NewPage Load MW	Bowater Load above 42 MW	Total Reduction from CBL level MW
18-Dec-09 18:00	2,092.3	$149.41	241.91	[redacted] [7]	[redacted] [8]	83.83
11-Jan-10 18:00	2,011.0	$94.46	227.248	[redacted]	[redacted]	11.148
2-Feb-10 19:00	2,114.2	$63.23	227.248	[redacted]	[redacted]	40.44

Note: The highest load hour does not necessarily coincide with the highest marginal cost hour.

Shelter from Interruptions

Because customers subscribed to this tariff are among the first to be called to interrupt during system interruption events, the Tariff provides some protection from interruption to other interruptible customers.

During the review period customers were interrupted on three occasions, for a fraction or for all ELI 2P-RTP energy.

[7] NPPH was in the process of returning to full load following a supply interruption.

[8] Although the posted marginal price was $149.41/MWh, Bowater did not pay for the incremental energy at the posted price as they are entitled to energy at the Standard Energy Charge taken above the CBL following a supply interruption. Therefore the price signal has no influence on customer usage above their CBL in these cases.

9. Aspects for Further Review

NSPI has met with NPB to discuss several aspects of the Tariff. Issues discussed included the double payment of line losses when the SEC is credited back in the second and third tiers, notification of CBL reductions for market related downtime and possible modifications to the tariff to reduce non-fuel cost related losses to NSPI when customers reduce their CBL levels for non-maintenance reasons. NSPI is not proposing revisions to the Tariff at this time.

CBL Setting and Revision

This tariff comprises a customer charge and an energy charge, but no demand charge. Except for customer administration costs, fixed costs related to serving this class are designed to be recovered through the energy charge. The Standard Energy Charge is applied to energy beneath the Customer Baseline Load level.

CBLs are reset annually, and during the year, customers are permitted to revise their CBLs for market conditions or other reasons. This typically has led to reduced energy sales to ELI 2P-RTP customers compared to the energy used for rate setting purposes. When CBL energy levels are reduced from those used when setting the rate, NSPI is unable to recover the non-fuel costs associated with serving this rate class. These are fixed, non-fuel costs that were approved for recovery from this customer class in the most recent general rate application.

The downward revision of combined CBLs for 2010 resulted in an under-recovery of fixed costs. Additional reductions to CBL values through the year add to this loss of fixed-cost recovery. The combined effect of the CBL reduction for the year and reductions for market related reasons reduced NSPI’s fixed cost recovery from the amount anticipated in the GRA by $2.9 million.

Differences between Costs Avoided and Credits Paid

Decremental credits, intended to represent avoided costs, are paid to ELI 2P-RTP customers when their actual load falls below their CBL level. Credits are paid based on a three-tiered pricing mechanism intended to recognise that the avoided cost is generally less than marginal cost. Due to the increase in the price of coal and the relative decrease in the price of natural gas, the marginal costs associated with the bulk of generators in the NSPI fleet are quite similar. The difference between avoided costs and marginal costs under these circumstances is not material. The mechanism has provided credits that are greater than the marginal cost, and therefore more than the avoided cost of generation. This is due to the "floor" credit which is applied in the second and third tiers. During this reporting period credits paid exceeded the value it would have been if the MC was paid by $245,104. The floor undermines the aim of the three tiered system and reverses the intended effect.

Double Counting of Losses

There is currently a double payment of line losses when the Standard Energy Charge is credited back to the customers as the floor price in the second and third tiers of the credit system. This is due to the fact that the line loss adjustment is factored into the Standard Energy Charge when it is set, and once again when the metered load reduction at site is increased by two per cent in billing, according to the tariff wording. Over the reporting period this resulted in over crediting of $ 25,847.

Changing Conditions in Economic Dispatch

As the contribution of renewable energy to the net system requirement is increased to achieve renewable energy targets, the average cost of energy is increased. In contrast, the addition of non-dispatchable energy that is not on the margin, pushes power production units with lower cost marginal costs up the economic dispatch stack, reducing the hourly marginal costs from what it might have been in absence of the renewable energy contribution. Lower marginal costs brought about by the introduction of more non-dispatchable energy creates more opportunity for customers under this tariff to obtain low-cost incremental energy, but reduces the opportunity to obtain high credits for reducing load.

10. Conclusion

The ELI 2P-RTP debit and credits system provided limited benefit to participating customers. The main benefit of this tariff to customers is that they do not see increased blended energy costs normally associated with reduced load factors.

The reduction in CBL levels between general rate applications means that NSPI has not recovered the approved costs associated with serving this load under the rate as currently designed. For 2011 the forecast under recovery of non-fuel related costs is $5 million against the test year expectations. The Company will continue to work with the customers on this Tariff to address problems as they arise.

NON-CONFIDENTIAL

Request IR-13:

Reference: Executive Compensation

(a) Please provide copies of any executive compensation reports filed with the UARB since 2006.

(b) Please provide a copy of NSPI's policy (referenced at page 68 of 161 of Exhibit N-1(i)) regarding the payment of executives at pay rates approximating the 50th percentile of comparable non-union positions

(c) Please provide any reports, studies or evaluations done by NSPI (or on its behalf) to determine that its proposed executive compensation for 2012 is at pay rates approximating the 50th percentile of comparable non-union positions.

Response IR-13:

(a) Please refer to Attachments 1-5.

(b) Please refer to Attachment 6 for NSPI's Salary Administration Policy where it references the 50th percentile (median) for non-union positions.

(c) Please refer to Liberty IR-37 and Liberty IR-47.

Analysis of Executive Management Expenses

Redacted Filing Included

Filed April 27, 2007

TABLE OF CONTENTS

Attachments

Attachment A – This attachment is confidential.

Attachment B – Redacted: Summary of 2006 Executive Compensation, Benefits and Other Expenses Allocated to NSPI

Attachment C – Emera Business Expense Reimbursement Policy

1.0 INTRODUCTION

This report informs the Nova Scotia Utility and Review Board (the "UARB") about Nova Scotia Power Inc ("NSPI") executive compensation and expenses for 2006.

As part of the decision in Nova Scotia Power's 2002 General Rate Case, the UARB directed:

> "… NSPI to provide on an annual basis, a detailed analysis showing executive management expenses, including compensation, expenses, memberships and other personal benefits including loans."

This is the fifth annual report filed consistent with the Board's direction. Details of compensation are provided including benefits and other expenses for the Executive Management Team allocated to NSPI. For the purpose of this report, "executive" includes any member of the NSPI or Emera Inc. ("Emera") executive teams, any portion of whose compensation, benefits or other expenses are charged to NSPI.

Executive compensation for NSPI is determined by the Management Resources, Compensation, Environment, Safety and Security Committee (MRCESS Committee) of the NSPI Board of Directors. The MRCESS Committee members are Mrs. R. Irene D'Entremont, C.M. (Chair), Mr. Wesley G. Armour, and Mr. John T. McLennan. The NSPI Board of Directors reviews the recommendations of the MRCESS Committee and as part of its duties establishes compensation for NSPI senior management.

Emera has a separate Management Review Compensation Committee (MRCC), consisting of Dr. Elizabeth Parr-Johnston (Chair), Mr. Allan L Edgeworth and Mr. John T McLennan. This committee approves the NSPI MRCESS and NSPI Board of Director's compensation recommendations as well as the compensation for Emera Executives.

In developing the total compensation structure for the Executive, the MRCESS Committee considers advice from an independent consultant that makes comparisons to other companies and other positions, which reflect market competition for executive talent. As part of this review, base compensation is generally designed to result in remuneration at the median (50^{th} percentile) of the comparator companies. By correspondence dated October 10, 2006, the UARB directed that a specific comparator group be used, and it is included in the confidential report as Attachment A. Compensation is a critical success factor in recruiting and retaining effective senior management.

The most recent independent executive compensation review is provided confidentially with this report as Attachment A. This document, being the proprietary advice of an independent consultant, is confidential in its entirety, therefore no redacted version in provided.

2.0 EXECUTIVE COMPENSATION, BENEFITS AND OTHER EXPENSES

A Summary of 2006 Executive Compensation, Benefits and Other Expenses Allocated to NSPI is provided as Attachment B. This attachment reports compensation, personal benefits and other corporate expenses attributed to the individuals covered by the Board directive, (i.e., all members of the NSPI or Emera Inc. executive management any portion of whose compensation, benefits or other expenses has been charged to NSPI). Individual specific information is provided for those executives whose compensation information is publicly reported under Canadian securities law and who have salaries, benefits or incentives allocated to NSPI. For 2006, these individuals are Mr. Ralph Tedesco, President and Chief Executive Officer, NSPI; Mr. Chris Huskilson, President and Chief Executive Officer, Emera; and Ms. Nancy Tower, Chief Financial Officer, Emera & NSPI. Compensation and other information for the remaining NSPI and Emera executive are provided in aggregate under the headings “Other, NSPI” and “Other, Partly Allocated to NSPI”, respectively in the public version of the Summary.

The UARB has been provided, in confidence, an expanded version of the Summary of the 2006 Compensation, Benefits and Other Expenses Allocated to NSPI separately listing the information for each of the individuals in the “Other, NSPI” and “Other, Partly Allocated to NSPI” groups.

For the year 2006 the executives who are included in the “Other NSPI” group are:

- Rick Janega, General Manager, Power Production
- Dan Muldoon, General Manager, Customer Operations
- Alan Richardson, General Manager, Customer Service
- James Taylor, General Manager, Environmental Planning and Monitoring

All were executives of NSPI in 2006.

For the year 2006, the executives who are included in the "Other Partly Allocated to NSPI" group are executives who provide management and other services to NSPI and its affiliates as part of their duties:

- Jim Connors, Vice President, Regulatory Affairs, Emera
- Robert Hanf, General Counsel, Emera
- Liz MacDonald, Vice President, Enterprise Services, Emera
- Sarah MacDonald, Vice President, Human Resources, Emera
- Rick Smith, Corporate Secretary, Emera
- Greg Blunden, General Manager, Finance, Emera
- William Hattie, VP Emera Utility Services
- Zeda Redden, Treasurer, NSPI & Emera

Both Greg Blunden and William Hattie held positions with Emera prior to moving to NSPI in 2006. They no longer perform Emera duties.

Both Liz MacDonald and Zeda Redden left the organization part way through 2006.

3.0 DESCRIPTION OF COMPENSATION, BENEFITS AND OTHER EXPENSES

This section describes each category in the attached table "Summary of 2006 Executive Compensation, Benefits and Other Expenses Allocated to NSPI" and represents the forms in which compensation, other personal benefits, and business related expenses are incurred. The table reflects only those costs allocated to NSPI for 2006.

Salary

This refers to base salary paid to the individual. It reflects the degree of special skills and knowledge required to successfully carry out the responsibilities of the role, as well as the market conditions for competitive positions in NSPI's labour market. This is separate from any incentive-based compensation. Base salaries are benchmarked against the median of the salaries paid to positions with similar responsibilities by comparator companies.

Annual Incentive Plan

This category reflects monetary compensation provided to individuals based on performance. Awards are made based on a scorecard process that rewards employees for advancing corporate objectives. Consistent with the UARB's directive, fifty percent of incentive payments charged to NSPI are excluded for the purpose of calculating regulated earnings. Target payouts under the plan are set as a percentage of salary and are benchmarked against the median for positions with similar responsibilities in comparator companies. The target level represents the amount that would be paid if all objectives were achieved at planned levels.

The Emera Board of Directors has also approved a Deferred Share Unit Plan (the "DSU Plan") for Executives and senior management. The DSU Plan is intended to facilitate achievement of share ownership guidelines without diluting the shareholder base. The DSU Plan allows each participant to elect to defer all or a percentage of the annual incentive award in the form of DSUs, with the proviso that for participants who are subject to Executive Share Ownership Guidelines[1], a minimum of fifty percent of the value of their actual annual incentive (twenty-five percent in the Executive's first year of the program) will be payable in DSUs until the applicable guidelines are met. DSUs are held until an employee leaves the Company.

The Emera Board of Directors may from time to time grant discretionary DSUs to an eligible employee. The Emera Board of Directors shall specify the number of units and the conditions of vesting.

Long-Term Incentive Program

The elements of NSPI's actual compensation outlined are consistent with the elements allowed for in the rates as determined by the UARB.

Car Allowance

An allowance is paid to individuals in recognition of travel being a necessary part of the role. The amount per individual varies with each role.

[1] To align the interest of senior management with the interests of shareholders, share ownership guidelines were introduced for designated Executive Officers in 2003. The guidelines, which must be achieved within five years, are as follows:

President and/or Chief Executive Officer:	2.0 times salary
Vice Presidents:	1.0 times salary

Taxable Benefits

This includes company contributions to the employee share purchase plan, low interest loans for the NSPI Employee PC Purchase Plan and parking.

Employer Funded Benefits

This includes health, dental, life and accidental death and dismemberment insurance as well as pension and long-term disability insurance premiums.

Memberships

This includes professional and business memberships. Professional membership fees are paid in support of maintaining an individual's professional standing. Examples of professional membership fees paid for some individuals included the Institute of Chartered Accountants of Nova Scotia, the Nova Scotia Barristers' Society and the Association of Professional Engineers of Nova Scotia. In some cases, fees for a membership in other professional associations are paid as a matter of supporting employees in maintaining professional or technical expertise that is used to the benefit of the company. Memberships in various organizations also serve to build and enhance business relationships in the community that are supportive of attaining NSPI's business objectives**.**

The foregoing are the categories that cover executive compensation and benefits. The total cost is listed in the Summary of 2006 Executive Compensation, Benefits and Other Expenses Allocated to NSPI under the heading "Total Compensation and Benefits".

The following refers to other business expenses incurred with regard to the executive relating to business travel and meals and entertainment. These expenses are governed by the Business Expense Reimbursement policy (see Attachment C).

The employee's supervisor approves such expenses (the Corporate Secretary who reports to the Chair of the Board of Directors approves expenses with regard to the Emera President and Chief Executive Officer).

Amounts reported in these categories are only those expenses incurred on behalf of NSPI.

Travel

Business travel consists of travel to business meetings and conferences that relate to NSPI in particular or to our business in general. Examples of business meetings attended include meetings with bond rating agencies and industry analysts, as well as industry meetings, professional education and speaking engagements such as with the Canadian Electrical Association and the North American Electric Reliability Council. This expense is a necessary part of NSPI's business, which includes maintaining NSPI's standing in the investment community, helping to shape the development of the electricity industry in Canada and maintaining a high level of knowledge about the most current and best practices in the industry that relate to operating a generation, transmission and distribution utility. These costs have been allocated to NSPI as discussed in Section 4.0 of this report.

Meals and Entertainment

These expenses are generally for meals and hospitality/entertainment associated with business meetings and conferences. The majority of meal related expense in this category is related to business travel. The cost of meals and hospitality for hosting third party business contacts that have an interest in our business are also included. This is a necessary part of fostering relationships with stakeholders.

Where an executive has chaired internal meetings that continued through employee meal hours; the cost of providing lunch or dinner to the entire employee group participating in such a meeting maybe included in the amount attributed to individual Executive members.

4.0 ALLOCATION TO NSPI

Attachment B shows the portion of the total compensation, benefit and expense amounts for all Executives who provided service to NSPI in 2006 that was allocated to NSPI.

Costs have been allocated based on records for costs chargeable to NSPI for NSPI business purposes. As well, for corporate support services cost allocation, only charges incurred on behalf of NSPI are charged to NSPI.

Attachment C is provided for further information on Emera's Business Expense Reimbursement policy, which applies to NSPI.

5.0 CONCLUSION

The executive compensation plan as outlined above achieves a fair outcome for NSPI's shareholders and customers. In hiring and retaining experienced and talented individuals to manage the company, NSPI is ensuring that the company is able to achieve its business objectives.

Compensation survey data is reviewed to ensure our total compensation package is competitive and we are able to attract and retain talented executives. Incentive payouts are performance based and are intended to reward individuals for the achievement of predetermined levels of performance in support of corporate objectives. Corporate objectives focus on customer, employee, operational and financial aspects of the business that seeks to ensure the company delivers on its commitments to customers and shareholders. Individuals are only compensated through incentives if they achieve their objectives.

Other benefits paid to Executive members, as part of total compensation, are designed to attract and retain key talent, in a competitive market, thereby serving the interests of customers and shareholders.

Summary of 2006 Executive Compensation, Benefits and Other Expenses Allocated to NSPI

Attachment B REDACTED 1 of 1

Year	Name	Job Title	2006 Salary (1)	Cash Incentive Payments (2)	DSU Election in Lieu Cash Incentive (3)	RSU (4)	Tax Payment (5)	Car Allowance and Mileage (6)	Stock Options Exercised (7)	Taxable Benefits (8)	Employer Funded Benefits (9)	Memberships (10)	Total Benefits (11)	Total Compensation and Benefits (12)	Travel (13)	Meals & Entertainment (14)	Total Expenses (15)	Allocation Factor for Salaries, Incentives & Benefits (16)	Total NSPI Allocation (17)
2006	HUSKILSON,CHRISTOPHER GRAHAM	PRESIDENT & CEO, EMERA	$62,873	$29,768	$0	0		$2,265	$0	$149	$2,250	$89	$4,665	$97,394	$2,859	$393	$3,252	12%	**$100,646**
2006	TOWER,NANCY G	CHIEF FINANCIAL OFFICER	$22,500	$3,256	$3,256	0		$810	$0	$227	$1,337	$167	$2,375	$31,554	$1,767	$323	$2,090	9%	**$33,644**
2006	TEDESCO,RALPH RICHARD	PRESIDENT & CEO, NSPI	$429,616	$68,019	$68,019	0	$52,563	$14,116	$0	$2,401	$16,179	$723	$85,260	$651,636	$24,557	$3,133	$27,690	100%	**$679,326**
Other Allocated to NSPI			**$1,196,077**	**$185,875**	**$141,328**	**$0**	**$52,563**	**$48,658**	**$0**	**$12,642**	**$80,621**	**$11,396**	**$194,484**	**$1,729,161**	**$64,388**	**$11,022**	**$75,410**		**$990,955**
Other NSPI			**$603,308**	**$88,731**	**$11,092**	**$0**	**$0**	**$34,122**	**$0**	**$7,281**	**$53,678**	**$848**	**$95,081**	**$799,059**	**$41,602**	**$4,286**	**$45,888**		**$844,947**
Total			**$1,799,384**	**$274,606**	**$152,420**	**$0**	**$52,563**	**$82,780**	**$0**	**$19,923**	**$134,299**	**$12,244**	**$289,565**	**$2,528,220**	**$105,990**	**$15,308**	**$121,298**		**$2,649,518**

Column Notes:

1	As outlined in the text of this report, Executive salaries, benefits and incentives are allocated based on documented time-keeping records. Amounts shown have been allocated to NSPI.
2	As per the 2002 Rate Decision, fifty percent of incentive payments charged in NSPI are excluded from regulated earnings. The amounts included in columns 2 and 3 are the total incentive payments for 2006 reduced by 50% to reflect allocation to NSPI. These amounts were paid out in February 2007, in either cash or DSU's.
3	See above
4	RSUs have not been included in NSPI's revenue requirement and are excluded for the purpose of calculating regulated earnings.
5	Ralph Tedesco's tax payment is to cover the taxation difference between the US and Canada (paid in 2006 but covers both 2005 and 2006)
6	This amount is the NSPI allocated portion of car allowance and mileage paid
7	Stock options exercised are treated as taxable benefits, with all costs associated with the stock options charged to Emera.
8	This includes company contributions to the employee share purchase plan, low interest loans for the NSPI Employee PC Purchase Plan and parking
9	Employer funded benefits include health, dental, group life insurance, AD&D insurance, pension and long-term disability insurance premiums
10	Includes professional memberships allocated to NSPI. Wellness memberships have been excluded as they are excluded from regulated earnings.
11	This includes the car allowance portion of column 6, Taxable benefits column, Employer funded Benefits column and Bonus Pay column
12	
13	
14	
15	Total Expenses are a sum of colums 13 and 14 (travel and meals and expenses)
16	This allocation factor is the % of salary and benefits assigned to NSPI
17	This is the total compensation amount which has been allocated to NSPI
*	Liz MacDonald & Zeda Redden left the organization part way through 2006
**	Greg Blunden and William Hattie moved from Emera to NSPI partway through 2006

Emera

FINANCIAL POLICIES AND PROCEDURES

Business Expense Reimbursement

Last Updated: May 30, 2005

This page is maintained by Corporate Accounting Services, Controllers Division

POLICY

The Emera Group of Companies (Emera) will reimburse employees for all reasonable actual authorized expenses incurred while on Company business.

Where employees are governed by the provisions of a Collective Agreement, it will take precedence over this policy where applicable.

Throughout this document Emera is used to refer to Emera Inc. and all of its wholly owned subsidiaries and investments.

EXPENSE REPORTS

LIMITED PURCHASE ORDERS

EXPENSE REPORTS

01 Reimbursement Guidelines

Actual reasonable business expenses incurred on behalf of Emera are accounted for and reimbursed.

- Expense reports should be submitted for approval within a month of the related expenditure.
- Employees will be accountable for exercising good judgment in their business expenditures.
- Although guidelines are provided below, employees should check with their supervisor before traveling or incurring expenses to obtain an understanding of what expenses are deemed to be reasonable in the particular circumstances.

02 Approval Policy

Management is responsible for approval of all expense claims of their direct reports. Management is accountable for the validity and accuracy of expense claims they approve.

- It is the responsibility of the approver to ensure guidelines governing business expense reimbursement are followed.
- Approval of all expense reports is done electronically
- The approver is the only person who verifies the accuracy of expense reports submitted to them. Approvers should review expense reports for the following items before approval:
  - Overall reasonableness and appropriateness
  - Ensure that account numbers used are correct
  - Ensure original receipts are attached
  - Ensure amounts claimed are accurate and consistent with receipts
  - Ensure total per paper copy agrees to computer total
- When charging expenses into another manager's cost centre, ensure that manager is aware of the charge and approves of the allocation.
- The Invoice Express software will not accept expense reports greater than $10,000 (before tax). The approver's manager will receive notification (information only) if the expense report exceeds $4,000 (before tax).
- Approval of expense reports should be done by the expense report submitter's manager. If that person is not available, another authorized manager can approve the report.
- In situations when an expense report is approved by an alternate manager, the hard copy should be forwarded to the direct manager for filing and storage.

03 Storage Policy

Expense reports and receipts should be retained for seven years in accordance with regulations of the Canada Customs and Revenue Agency. Of the seven years, only the two most recent need to be stored at your location.

- Storage of expense reports is the responsibility of each department's manager/head.
- Copies of expense reports and associated receipts should be stored in a locked cabinet and filed by employee within each year.
- Expense reports are considered the property of the department in which the expenses were incurred; therefore they should remain stored in that department regardless of staff changes.
- With on-line approvals, signatures are not required. However, it is the manager's responsibility to ensure that the on-line copy matches the file copy.

04 Reason for Expenditure Guideline

The Reason for Expenditure section should be completed. Items required include the reason for the expenditure, the location of the expenditure, and a list of individuals who incurred the expenditures.

05 Receipts Policy

Receipts submitted for all expenses over $30 should disclose the actual amount of tax paid.. For audit purposes, the Canada Customs and Revenue Agency requires this information and the supporting documentation.

- Credit card receipts do not provide sufficient detail to be submitted alone. The actual purchase receipt is required for all expenditures
- Original receipts are required for expenditures of more than $10.00, including:
  - Hotel accommodations – meals & entertainment should be recorded in the proper account
  - Meals & entertainment
  - Car rentals
  - Airfare
  - Parking
  - Transportation
- Expenses submitted without a receipt must be reasonable and explainable. Receipts are not required for expenses such as:
  - Meals under $10.00
  - Mileage claims
  - Claims for incidental expenses such as baggage handling, newspapers, laundry, etc.

06 Meals & Entertainment Policy

All meals and entertainment expenses should be recorded in the designated general ledger account in each company in the Emera group for income tax reporting. The Canada Customs and Revenue Agency allows only 50% of business meals and entertainment to be deducted for tax purposes. Therefore, it is important that other costs, which are fully tax deductible, not be charged to these accounts.

Entertainment/Hospitality

Some employees, because of the nature of their work, have contact with business associates outside of Emera, where it is necessary, on occasion, to provide hospitality. Actual and reasonable expenses may be included in the expense report for reimbursement. Employees should discuss what is reasonable in the circumstances with their manager before incurring the expense.

- The Canada Customs and Revenue Agency considers the following expenses to be meals and entertainment:
  - employee meals while out of the office
  - cost of lunches catered for a departmental meeting
  - employee recognition lunches
  - retirement functions
  - long-service award functions
  - the cost of entertaining clients and customers
- The Canada Customs and Revenue Agency does not consider the following expenses to be meals and entertainment. Therefore, they should not be charged to the designated general ledger account:
  - expenses relating to a fundraising event, the primary purpose of which is to benefit a registered charity.
  - costs billed directly to a customer and specifically identified as such costs

Gratuities

It is normal business practice to tip 10% to 15% for good service. Employees should claim reasonable gratuities for services provided.

07 Incidental Expense Allowance Guideline

When employees are traveling away from their workplace and are required to stay overnight, reasonable incidental expenses such as baggage handling, newspapers, laundry, etc. can be claimed.

08 Private Accommodations Guideline

An employee who prefers to stay at the home of a relative or friend will be reimbursed for the actual amount that they pay their host for accommodation, up to a daily maximum of $30.00.

09 Travel Arrangements Policy

When traveling, employees should use their good judgment and select the shortest and most direct routes. Employees should use the corporate travel agent when booking travel arrangements, including flights, car rentals and hotel to ensure that the Emera discounts are received.

Air Travel

- Air travel should be arranged at the lowest, unrestricted economy class fare available.
- In circumstances where an individual is required to engage in an exceptional amount of travel or travel to less accessible locations, executive class fares and/or charter flights may be purchased subject to the prior approval of the individual's Vice-President or, in the case of the Executive, the CEO.
- Employees should take advantage of reduced fares, advance bookings and special rates where reasonable.
- Emera encourages weekend travel to take advantage of lower discount airfares. During this extended stay Emera will pay for reasonable and actual living expenses (meals & accommodations). If car rental is required for business purposes, this expense can be also be claimed for the extended stay. The discount airfare, plus the extended living expenses, must be less than regular economy class airfare.
- Employees will not be reimbursed for airline tickets purchased using frequent flyer miles.
- Supervisors should pre-approve expenditures when business and personal trips are to be on the same airline ticket.
- Transportation to and from the airport is an allowable travel expense.
- Additional travel insurance coverage cannot be claimed as an expense.

Surface Travel

Vehicle Rentals

Employees are permitted to rent a vehicle when required to travel for business on behalf of Emera.

- Vehicles should be rented only when economically justified (i.e. less expensive than taxis).
- Insurance offered by the auto rental company should be declined as the Emera corporate auto insurance covers necessary collision and comprehensive insurance. The auto rental company provides necessary third party liability.
- Additional personal injury insurance is not covered by the Emera corporate auto insurance policy and is not a reimbursable expense.

Personal Vehicle

- Employees permitted to use their own private means of transportation, in lieu of airline travel, will be reimbursed at the Emera published private vehicle rate, or the equivalent of an economy class air fare plus associated ground transportation (i.e. taxi to and from the airport), whichever is less.
- Emera allows employees, who do not receive a vehicle allowance, to claim the following mileage amounts for use of a private vehicle on company business. These rates are based on travel in one calendar year.
    - $0.33 per kilometer for travel up to 13,000 kilometers
    - $0.27 per kilometer after 13,000 kilometers
- Departure and destinations must be identified on the expense report form along with the associated kilometers claimed.
- Traffic and parking tickets are the responsibility of the employee.

10 Phone Call Guideline

When traveling overnight for business purposes, employees are permitted to call home. Frequency of calls is up to the discretion of the employee and their supervisor.

11 Business Expense Funding Policy

A travel advance may be issued, if requested by an employee and approved by his/her supervisor.

- Travel advances should be recorded in the designated general ledger receivable account.
- The employee should provide a schedule to his/her direct supervisor supporting the amount requested by type of expenditure.
- The employee should submit an expense report within one month of the related travel and return any unused portion of the advance to Emera at that time.
- For extensive travel, a Standing Travel advance may be issued to cover anticipated travel expenses for one month. The employee is required to submit a monthly claim for travel expenses incurred.

12 Foreign Funds Policy

All expenses paid in foreign funds should be reported on the expense report in the currency in which the expense was paid. Once the exchange rate is entered by the employee, Invoice Express will calculate the Canadian dollar equivalent.

- The actual exchange rate paid should be used when it is available, i.e. translation on credit card statement, transaction receipt from a bank, etc.
- If the actual exchange rate paid is not available, the approximate average exchange rate over the period of travel should be used. This rate may be obtained from a bank, a newspaper, or the internet.
- Foreign exchange translation fees are considered reimbursable business expenses.

13 Parking Policy

When an employee is authorized to use a private vehicle on company business travel he/she will be reimbursed for the actual cost of parking the vehicle for the day.

LIMITED PURCHASE ORDERS

Emera is committed to supporting regional economies throughout the province. Local purchase of goods & services is encouraged when practical and beneficial to Emera. The company is also committed to empower employees with purchasing authority to improve customer service and corporate effectiveness.

01 Limit Policy

- *Materials and supplies up to $4,000 (before tax, Canadian funds) may be purchased by the use of Limited Purchase Orders (LPO's).*
- *Foreign purchases in an amount equivalent to US$1,000 can be made using LPO's. Customs documentation must be filed with the LPO. Because of strict customs regulations, all US transactions exceeding US$1,000 should be processed with a purchase order.*
- *Three price quotations should be obtained and kept on file for purchases of more than $1,000.*
- *To allow for extenuating circumstances, there is an upper limit of $10,000 (before tax). The approver's manager will receive notification (information only) if the total LPO exceed $4,000 (before tax).*
- *LPO's should not be used for purchases of less than $50.*
- *LPO's should not be used for airline travel or hotel accommodations unless previously approved by the appropriate manager.*

02 Tax Policy

- *Services rendered in Canada by non-residents are subject to a 15% withholding tax.*
- *Invoices submitted with LPO's must disclose the actual tax paid on the goods purchased. For audit purposes, the Canada Customs and Revenue Agency requires this information and supporting documentation.*

03 Usage Policy

Employees should request an LPO number in advance of their purchase so that an LPO number can be provided to the vendor upon purchase of goods/services.

04 LPO Processing Policy

- Invoice Express assigns LPO numbers when the LPO is created.
- The LPO processor (employee entering the LPO transaction), upon ordering the goods/services, updates the LPO with all relevant information as prompted by Invoice Express.
- After receipt of the goods/services and the invoice, the LPO processor should:
    - Ensure the invoice detail is accurate
    - Complete the LPO detail, including invoice number, distribution number, price and tax amounts
    - Staple invoice and quote information (if applicable) to back of LPO
    - Forward the LPO and supporting documentation to the supervisor for storage

05 Approval Policy

Management is responsible for approval of all LPO's from their direct reports. Management is accountable for the validity and accuracy of LPO's that they approve.

- It is the responsibility of the approver to ensure guidelines governing LPO's are followed.
- Approval of LPO's is done electronically
- The approver is the only person who verifies the accuracy of LPO's submitted to them.

Approvers should review LPO's for the following items before approval:

- Overall reasonableness
- Ensure that account numbers used are correct
- Ensure invoices/receipts are attached
- Ensure amounts claimed are accurate and consistent with invoices/receipts
- Ensure total per paper copy agrees to computer total
- Ensure the tax amount per the LPO agrees to the actual tax per the invoice/receipt
- Ensure quote information is attached (if applicable)

- Approval of LPO's should be done by the preparer's direct supervisor. If that person is not available, another authorized supervisor can approve the report. Once approved, the hard copy should be forwarded to the direct supervisor for storage

06 Storage Policy

LPO's and associated invoices/receipts should be retained for seven years in accordance with regulations of the Canada Customs and Revenue Agency. Security of these reports should be maintained for this period.

- Storage of LPO's is the responsibility of each department's manager/head
- Copies of LPO's and associated invoices/receipts should be stored in a locked cabinet and filed by vendor within each year.
- With on-line approvals, signatures are not required. However, it is the manager's responsibility to ensure that the on-line copy matches the file copy.

NOVA SCOTIA POWER
An Emera Company

Analysis of Executive Management Expenses

Filed April 30, 2008

Table of Contents

Attachments

1.0 INTRODUCTION

This report informs the Nova Scotia Utility and Review Board (the "UARB") about Nova Scotia Power Inc ("NSPI") executive compensation and expenses for 2007.

As part of the decision in Nova Scotia Power's 2002 General Rate Case, the UARB directed:

> "… NSPI to provide on an annual basis, a detailed analysis showing executive management expenses, including compensation, expenses, memberships and other personal benefits including loans."

This is the sixth annual report filed consistent with the Board's direction. Details of compensation are provided including benefits and other expenses for the Executive Management Team allocated or direct charged to NSPI. For the purpose of this report, "executive" includes any member of the NSPI or Emera Inc. ("Emera") executive teams, any portion of whose compensation, benefits or other expenses are charged to NSPI.

Executive compensation for NSPI is determined by the Management Resources, Compensation, Environment, Safety and Security Committee (MRCESS Committee) of the NSPI Board of Directors. The MRCESS Committee members are Mrs. R. Irene D'Entremont, C.M. (Chair), Mr. Wesley G. Armour, and Mr. John T. McLennan, Board Chair. The NSPI Board of Directors reviews the recommendations of the MRCESS Committee and as part of its duties establishes compensation for NSPI senior management.

Emera has a separate Management Review Compensation Committee (MRCC), consisting of Dr. Elizabeth Parr-Johnston (Chair), Mr. Allan L Edgeworth and Mr. John T. McLennan. This committee approves the NSPI MRCESS and NSPI Board of Director's compensation recommendations as well as the compensation for Emera and NSPI Executives.

In developing the total compensation structure for the Executive, the MRCESS Committee considers advice from an independent consultant that makes comparisons to other companies and other positions, which reflect market competition for executive talent. As part of this review, base compensation is generally designed to result in remuneration at, on average, the median (50^{th} percentile) of the comparator companies. Compensation is a critical success factor in recruiting and retaining effective senior management.

By correspondence dated October 10, 2006, the UARB directed that a specific comparator group be used. The most recent independent executive compensation review has been provided confidentially with this report as Attachment A. This document, being the proprietary advice of an independent consultant, is confidential in its entirety, therefore no redacted version is provided.

2.0 EXECUTIVE COMPENSATION, BENEFITS AND OTHER EXPENSES

A Summary of NSPI's 2007 Executive Compensation, Benefits and Other Expenses is provided as Attachment B. This attachment reports compensation, personal benefits and other corporate expenses attributed to the individuals covered by the Board directive, (i.e., all members of the NSPI or Emera Inc. executive management any portion of whose compensation, benefits or other expenses has been charged to NSPI). Individual specific information is provided for those executives whose compensation information is publicly reported under Canadian securities law and who have salaries, benefits or incentives allocated/charged directly to NSPI. For 2007, this includes Mr. Ralph Tedesco, President and Chief Executive Officer, NSPI. Compensation and other information for the remaining NSPI and Emera executive are provided in aggregate under the heading "Other, NSPI" in the public version of the Summary.

The UARB has been provided, in confidence, an expanded version of the Summary of the NSPI's 2007 Compensation, Benefits and Other Expenses separately listing the information for each of the individuals in the "Other, NSPI" group. For the year 2007 the executives who are included in this group are:

- Rick Janega, VP Operations
- Dan Muldoon, GM, Customer Operations
- Jim Connors, VP Regulatory Affairs
- Alan Richardson, VP Commercial
- James Taylor, GM, Environmental Planning and Monitoring
- Rene Gallant, GM & Regulatory Counsel
- William Hattie, VP Generation Planning & Infrastructure
- Greg Blunden, VP Finance & Treasurer
- Gerald Weseen, GM Communications & Public Affairs
- Rick Smith, Corporate Secretary (Emera and Nova Scotia Power)

Most were NSPI executives for the full or partial year of 2007 and were wholly charged to the regulated utility in that year with two exceptions. Please see Attachment B for further information.

Costs have been allocated based on records for costs chargeable to NSPI for NSPI business purposes. As well, for corporate support services cost allocation, only charges incurred on behalf of NSPI are charged to NSPI. No other Emera Executive compensation, benefits or expenses are allocated to NSPI's regulated business activities.

3.0 DESCRIPTION OF COMPENSATION, BENEFITS AND OTHER EXPENSES

This section describes each category in the attached table "Summary of NSPI's 2007 Executive Compensation, Benefits and Other Expenses" and represents the forms in which compensation, other personal benefits, and business related expenses are incurred. The table reflects only those costs allocated to NSPI for 2007.

Salary

This refers to base salary paid to the individual. It reflects the degree of special skills and knowledge required to successfully carry out the responsibilities of the role, as well as the market conditions for competitive positions in NSPI's labour market. This is separate from any incentive-based compensation. Base salaries are benchmarked against the median of the salaries paid to positions with similar responsibilities by comparator companies.

Annual Incentive Plan

This category reflects monetary compensation provided to individuals based on performance. Awards are made based on a scorecard process that rewards employees for advancing corporate objectives. Consistent with the UARB's directive, fifty percent of short-term incentive payments charged to NSPI is excluded for the purpose of calculating regulated earnings and in determining and setting rates. Target payouts under the plan are set as a percentage of salary and are benchmarked against the median for positions with similar responsibilities in comparator companies. The target level represents the amount that would be paid if all objectives were achieved at planned levels.

The Emera Board of Directors has also approved a Deferred Share Unit Plan (the "DSU Plan") for Executives and senior management. The DSU Plan is intended to facilitate achievement of share ownership guidelines without diluting the shareholder base. The DSU Plan allows each participant to elect to defer all or a percentage of the annual incentive award in the form of DSUs, with the proviso that for participants who are subject to Executive Share Ownership Guidelines[1], a minimum of fifty percent of the value of their actual annual incentive (twenty-five percent in the Executive's first year of the program) will be payable in DSUs until the applicable guidelines are met. DSUs are held until an employee leaves the Company.

The Emera Board of Directors may from time to time grant discretionary DSUs to an eligible employee. The Emera Board of Directors shall specify the number of units and the conditions of vesting.

Long-Term Incentive Program

The elements of NSPI's actual compensation outlined are consistent with the elements allowed for in the rates as determined by the UARB.

Car Allowance

An allowance is paid to individuals in recognition of travel being a necessary part of the role. The amount per individual varies with each role.

Taxable Benefits

This includes company contributions to the employee share purchase plan, tax preparation and parking.

[1] To align the interest of senior management with the interests of shareholders, share ownership guidelines were introduced for designated Executive Officers in 2003. The guidelines, which must be achieved within five years, are as follows:

President and/or Chief Executive Officer:	2.0 times salary
Other Eligible Executives:	1.0 times salary

Employer Funded Benefits

This includes health, dental, life and accidental death and dismemberment insurance as well as pension and long-term disability insurance premiums.

Memberships

This includes professional and business memberships. Professional membership fees are paid in support of maintaining an individual's professional standing. Examples of professional membership fees paid for some individuals included the Institute of Chartered Accountants of Nova Scotia, the Nova Scotia Barristers' Society and the Association of Professional Engineers of Nova Scotia. In some cases, fees for a membership in other professional associations are paid as a matter of supporting employees in maintaining professional or technical expertise that is used to the benefit of the company. Memberships in various organizations also serve to build and enhance business relationships in the community that are supportive of attaining NSPI's business objectives.

The foregoing are the categories that cover executive compensation and benefits. The total cost is listed in the Summary of NSPI's 2007 Executive Compensation, Benefits and Other Expenses under the heading "Total Compensation and Benefits".

The following refers to other business expenses incurred with regard to the executive relating to business travel and meals and entertainment. These expenses are governed by the Business Expense Reimbursement policy (see Attachment C).

Amounts reported in these categories are only those expenses incurred on behalf of NSPI.

Travel

Business travel consists of travel to business meetings and conferences that relate to NSPI in particular or to our business in general. Examples of business meetings attended include meetings with bond rating agencies and industry analysts, as well as industry meetings, professional education and speaking engagements such as with the Canadian Electrical Association and the North American Electric Reliability Council. This expense is a necessary part of NSPI's business, which includes maintaining NSPI's standing in the investment community, helping to shape the development of the electricity industry in Canada and maintaining a high level of knowledge about current and best practices in the industry that relate to operating a generation, transmission and distribution utility. These costs have been allocated to NSPI as discussed in Section 4.0 of this report.

Meals and Entertainment

These expenses are generally for meals and hospitality/entertainment associated with business meetings and conferences. The majority of meal related expense in this category is related to business travel. The cost of meals and hospitality for hosting third party business contacts that have an interest in our business are also included. This is a necessary part of fostering relationships with stakeholders.

Where an executive has chaired internal meetings that continued through employee meal hours; the cost of providing lunch or dinner to the entire employee group participating in such a meeting may be included in the amount attributed to individual Executive members.

Other Expenses

These expenses are associated with relocation of a personal residence as a result of a move from another employer to NSPI or a Company-initiated transfer to a new location.

4.0 CONCLUSION

In hiring and retaining experienced and talented individuals to manage the company, NSPI seeks to ensure that the company is able to achieve its business objectives.

Compensation survey data is reviewed to ensure NSPI's total compensation package is competitive and the Company is able to attract and retain talented executives. Incentive payouts are performance based and are intended to reward individuals for the achievement of predetermined levels of performance in support of corporate objectives. Corporate objectives focus on customer, employee, operational and financial aspects of the business that seek to ensure the company delivers on its commitments to customers and shareholders. Individuals are only compensated through incentives if they achieve their objectives.

Other benefits paid to Executive members, as part of total compensation, are designed to attract and retain key talent, in a competitive market, thereby serving the interests of customers and shareholders.

ATTACHMENT B

Redacted - Summary of NSPI's 2007 Executive Compensation, Benefits and Other Expenses

Name	Job Title	2007 Salary (1)	Cash Incentive Payments (2)	DSU Election in Lieu Cash Incentive (3)	RSU (4)	Tax Payment (5)	Car Allowance and Mileage (6)	Stock Options Exercised (7)	Taxable Benefits (8)	Employer Funded Benefits (9)	Memberships (10)	Total Benefits (11)	Total Compensation and Benefits (12)	Travel (13)	Meals & Entertainment (14)	Other Expenses (15)	Total Expenses (16)	Allocation Factor for Salaries, Incentives & Benefits (17)	Total NSPI Allocation (18)
TEDESCO,RALPH RICHARD	PRESIDENT & CEO, NSPI	$450,000	$60,244	$90,366	$ -	$38,647	$13,871	$ -	$7,705	$18,402	$0	$39,977	$679,234	$27,410	$1,566		$28,976	100%	$708,210
Other NSPI																			
SUBTOTAL		$1,337,045	$185,182	$129,063	$ -	$0	$62,344	$ -	$16,876	$127,898	$6,020	$207,118	$1,864,427	$90,322	$10,974	$36,912	$138,208		$2,002,635
Total		**$1,787,045**	**$245,426**	**$219,429**	**$0**	**$38,647**	**$76,215**	**$0**	**$24,580**	**$146,299**	**$6,020**	**$247,095**	**$2,543,661**		**$12,540**	**$36,912**	**$167,184**		**$2,710,845**

This is the public version of this report.

Row Notes:

a Executive VP Revenue & Sustainability is a new position in Quarter 4 of 2007, supported on a part-time basis, by the CEO of BHE. No compensation or benefits were part of NSPI's regulated expense in 2007.
b GM & Regulatory Counsel became an executive member in August 2007
c The Corporate Secretary is the only Executive who allocates time between NSPI and its affiliates. No other Emera Executives charge to NSPI, the regulated entity
d GM Communications & Public Affairs joined NSPI On Feb 5, 2007.

Column Notes:

1 As outlined in the text of this report, Executive salaries, benefits and incentives are allocated based on documented time-keeping records. Amounts shown reflect actual earnings for the period that have been allocated/charged directly to NSPI.
2 As per the 2002 Rate Decision, fifty percent of incentive payments charged in NSPI is excluded from regulated earnings. The amounts included in columns 2 and 3 are the total incentive payments for 2006 (paid in 2007 calendar year) reduced by 50% to reflect allocation to NSPI.
3 See above
4 RSUs have not been included in NSPI's revenue requirement and are excluded for the purpose of calculating regulated earnings
5 Ralph Tedesco's tax payment is to cover the taxation difference between the US and Canada
6 This amount is the NSPI allocated portion of car allowance and mileage paid
7 Stock options have not been included in NSPI's revenue requirement and are excluded for the purpose of calculating regulated earnings.
8 This includes company contributions to the employee share purchase plan, tax preparation, and parking
9 Employer funded benefits include health, dental, group life insurance, AD&D insurance, pension and long-term disability insurance premiums
10 Includes professional memberships allocated to NSPI. Wellness memberships have been excluded as they are excluded from regulated earnings.
11 This includes the car allowance portion of column 6, Taxable benefits column and Employer funded Benefits column
12 Total Compensation and Benefits is the sum of Columns 1,2,3,4,5, 10 and 11
13
14
15 This includes relocation-related expenses, where applicable.
16 Total Expenses are a sum of columns 13, 14 and 15 (travel and meals and other expenses)
17 This allocation factor is the % of salary and benefits assigned to NSPI
18 This is the total compensation amount which has been allocated to NSPI

ATTACHMENT C

FINANCIAL POLICIES AND PROCEDURES

Business Expense Reimbursement

Last Updated: July 16, 2007

This page is maintained by Emera's Controllers Department

POLICY

The Emera Group of Companies (Emera) will reimburse employees for all reasonable actual authorized expenses incurred while on Company business.

Where employees are governed by the provisions of a Collective Agreement, it will take precedence over this policy where applicable.

Throughout this document Emera is used to refer to Emera Inc. and all of its wholly-owned subsidiaries and investments.

EXPENSE REPORTS

EXPENSE REPORTS

01 Reimbursement Guidelines

Actual reasonable business expenses incurred on behalf of Emera are accounted for and reimbursed.

- Expense reports should be submitted for approval within a month of the related expenditure.
- Employees will be accountable for exercising good judgment in their business expenditures.
- Although guidelines are provided below, employees should check with their supervisor before traveling or incurring expenses to obtain an understanding of what expenses are deemed to be reasonable in the particular circumstances.

02 Approval Policy

Management is responsible for approval of all expense claims of their direct reports. Management is accountable for the validity and accuracy of expense claims they approve.

- It is the responsibility of the approver to ensure guidelines governing business expense reimbursement are followed.
- Approval of all expense reports is done electronically.
- The approver is the only person who verifies the accuracy of expense reports submitted to them. Approvers should review expense reports for the following items before approval:

    - Overall reasonableness and appropriateness
    - Ensure that account numbers used are correct
    - Ensure original receipts are attached
    - Ensure amounts claimed are accurate and consistent with receipts
    - Ensure total per paper copy agrees to computer total

- When charging expenses into another manager's cost centre, ensure that manager is aware of the charge and approves the allocation.
- The Invoice Express software will not accept expense reports greater than $10,000 (before tax). The approver's manager will receive notification (information only) if the expense report exceeds $4,000 (before tax).
- Approval of expense reports should be done by the expense report submitter's manager. If that person is not available, another authorized manager can approve the report.
- If an Administrative/Executive Assistant is incurring costs on behalf of his/her Manager/Executive member, that expense must be signed off by another Manager/Executive member, in addition to the regular Approver.
- In situations when an expense report is approved by an alternate manager, the hard copy should be forwarded to the direct manager for filing and storage.

03 Storage Policy

Expense reports and receipts should be retained for seven years in accordance with regulations of the Canada Revenue Agency. Of the seven years, only the two most recent need to be stored at your location.

- Storage of expense reports is the responsibility of each department's manager/head.
- Copies of expense reports and associated receipts should be stored in a locked cabinet and filed by employee within each year.
- Expense reports are considered the property of the department in which the expenses were incurred; therefore they should remain stored in that department regardless of staff changes.

- With on-line approvals, signatures are not required. However, it is the manager's responsibility to ensure that the on-line copy matches the file copy.

04 Reason for Expenditure Guideline

The Reason for Expenditure section should be completed. Items required include the reason for the expenditure, the location of the expenditure, and a list of individuals who incurred the expenditures.

05 Receipts Policy

Receipts submitted for all expenses over $30 should disclose the actual amount of tax paid. For audit purposes, the Canada Revenue Agency requires this information and the supporting documentation.

- Credit card receipts do not provide sufficient detail to be submitted alone. The actual purchase receipt is required for **<u>all</u>** expenditures. In particular, restaurant receipts must include both the itemized restaurant receipt, in addition to the Visa/Mastercard receipt. Original receipts are required for all expenditures including:
    - Hotel accommodations – meals & entertainment and telephone expenses should be broken out and recorded in the proper account – please note that in-room hotel movies are NOT a claimable/allowable expense
    - Meals & entertainment
    - Car rentals
    - Airfare
    - Parking
    - Transportation

Expenses submitted without a receipt must be reasonable and explainable. Receipts are not required for expenses such as mileage claims and claims for incidental expenses such as baggage handling, newspapers, laundry, etc.

If a receipt is misplaced or lost please include a copy of the pro-card/visa statement, highlighting the particular item that is being claimed.

06 Meals & Entertainment Policy

All meals and entertainment expenses should be recorded in the designated general ledger account in each company in the Emera group for income tax reporting. The Canada Revenue Agency allows only 50% of business meals and entertainment to be deducted for tax purposes. Therefore, it is important that other costs, which are fully tax deductible, not be charged to these accounts.

Entertainment/Hospitality

Some employees, because of the nature of their work, have contact with business associates outside of Emera, where it is necessary, on occasion, to provide hospitality. Actual and reasonable expenses may be included in the expense report for reimbursement. Employees should discuss what is reasonable in the circumstances with their manager before incurring the expense.

Detail on meal and entertainment claims must include the location, the attendees by name and the company name of any external attendees – i.e., Lunch at Sweet Basil – John Smith, Jane Jones and Bill Johnson, ABC Company.

- The Canada Revenue Agency considers the following expenses to be meals and entertainment:
    - employee meals while out of the office
    - cost of lunches catered for a departmental meeting
    - employee recognition lunches

- retirement functions
- long-service award functions
- the cost of entertaining clients and customers

- The Canada Revenue Agency does not consider the following expenses to be meals and entertainment. Therefore, they should not be charged to the designated general ledger account:
  - expenses relating to a fundraising event, the primary purpose of which is to benefit a registered charity.
  - costs billed directly to a customer and specifically identified as such costs.

Gratuities

It is normal business practice to tip 10% to 15% for good service. Employees should claim reasonable gratuities for services provided.

07 Incidental Expense Allowance Guideline

When employees are traveling away from their workplace and are required to stay overnight, reasonable incidental expenses such as baggage handling, newspapers, laundry, etc., can be claimed.

Claims for incidentals must be limited to $10.00 per day and incidental items should not be claimed separately, i.e., you should not claim $10.00 a day for incidentals and also claim a newspaper purchase for the same day. The intent is for incidentals to cover miscellaneous purchases such as newspapers, coffee, water, etc. For those employees who are traveling to countries where incidental expenses may exceed the $10.00 a day allotment, you must clear any additional expenditure with your supervisor prior to travel. For audit purposes please attach to the expense report a copy of the e-mail request authorizing the additional amount in excess of $10.00 per day.

08 Private Accommodations Guideline

An employee who prefers to stay at the home of a relative or friend will be reimbursed for the actual amount that they pay their host for accommodation, up to a daily maximum of $30.00.

09 Travel Arrangements Policy

When traveling, employees should use their good judgment and select the shortest and most direct routes. Employees must use the corporate travel agent when booking travel arrangements, including flights, car rentals and hotel to ensure that the Emera discounts are received.

Air Travel

- Air travel should be arranged at the lowest, unrestricted economy class fare available.
- In circumstances where an individual is required to engage in an exceptional amount of travel or travel to less accessible locations, executive class fares and/or charter flights may be purchased on flights in excess of three hours, subject to the prior approval of the individual's Vice-President or, in the case of the Executive, the CEO. For audit purposes please attach to the expense report a copy of the request and approval authorizing the executive class fares and/or charter.
- Employees should take advantage of reduced fares, advance bookings and special rates where reasonable.
- Emera encourages weekend travel to take advantage of lower discount airfares. During this extended stay Emera will pay for reasonable and actual living expenses (meals and accommodations). If car rental is required for business purposes, this expense can be also be claimed for the extended stay. The discount airfare, plus the extended living expenses, must be less than regular economy class airfare.
- Employees will not be reimbursed for airline tickets purchased using frequent flyer miles.
- Supervisors should pre-approve expenditures when business and personal trips are to be on the same airline ticket.

- Transportation to and from the airport is an allowable travel expense.
- Additional travel insurance coverage cannot be claimed as an expense.
- When expensing air travel, boarding passes and/or baggage claim tickets must be attached to the ticket as proof the flight was taken.
- The e-ticket/paper ticket and the invoice including the travel agent's processing/service fee should be submitted as two entries, so that the price of the ticket and the service fee are clearly identified and expensed as separate line items.

Surface Travel

Vehicle Rentals

Employees are permitted to rent a vehicle when required to travel for business on behalf of Emera.

- Vehicles should be rented only when economically justified (i.e., less expensive than taxis).
- Insurance offered by the auto rental company should be declined as the Emera corporate auto insurance covers necessary collision and comprehensive insurance. The auto rental company provides necessary third party liability.
- Additional personal injury insurance is not covered by the Emera corporate auto insurance policy and is not a reimbursable expense.

Personal Vehicle

- Employees permitted to use their own private means of transportation, in lieu of airline travel, will be reimbursed at the Emera published private vehicle rate, or the equivalent of an economy class air fare plus associated ground transportation (i.e., taxi to and from the airport), whichever is less.
- Emera allows employees, who do not receive a vehicle allowance, to claim the following mileage amount for use of a private vehicle on company business.

    - $0.35 per kilometer

Note: These rates are subject to change and can be confirmed with the Fleet Manager.

- For those employees who receive a vehicle allowance please note that mileage claims must be made via PeopleSoft as they are a taxable benefit.
- Departure and destinations must be identified on the expense report form along with the associated kilometers claimed.
- Traffic and parking tickets are the responsibility of the employee.

10 Phone Call Guideline

When traveling overnight for business purposes, employees are permitted to call home. Frequency of calls is up to the discretion of the employee and their supervisor.

11 Business Expense Funding Policy

A travel advance may be issued, if requested by an employee and approved by his/her supervisor.

- Travel advances should be recorded in the designated general ledger receivable account.
- The employee should provide a schedule to his/her direct supervisor supporting the amount requested by type of expenditure.
- The employee should submit an expense report within one month of the related travel and return any unused portion of the advance to Emera at that time.

- For extensive travel, a Standing Travel advance may be issued to cover anticipated travel expenses for one month. The employee is required to submit a monthly claim for travel expenses incurred.

NOTE: This policy is currently under review and subject to change.

12 Foreign Funds Policy

All expenses paid in foreign funds should be reported on the expense report in the currency in which the expense was paid. Once the exchange rate is entered by the employee, Invoice Express will calculate the Canadian dollar equivalent.

- The actual exchange rate paid should be used when it is available, i.e., translation on credit card statement, transaction receipt from a bank, etc.
- If the actual exchange rate paid is not available, the approximate average exchange rate over the period of travel should be used. This rate may be obtained from a bank, a newspaper, or the internet.
- Include a copy as backup if you obtain the exchange rate via an alternate source, i.e., the internet.
- Always include a copy of the Pro-Card statement when claiming US or other currency expenses – this will show the exchange rate and the total cost of claimed items.
- Foreign exchange translation fees are considered reimbursable business expenses.

13 Parking Policy

When an employee is authorized to use a private vehicle on company business travel he/she will be reimbursed for the actual cost of parking the vehicle for the day.

14 Spousal Claims Policy

- Where a spouse accompanies an employee on a business trip the payment or reimbursement by the employer of the spouse's traveling expenses is a taxable benefit to the employee unless the spouse was, in fact, engaged primarily in business activities on behalf of the employer during the trip. These expenses must be communicated to HR to ensure the taxable benefit is recorded.

Note: Additional information to follow regarding this policy.

15 Miscellaneous Expense Report Notes

Cash Advances for miscellaneous expenses – all expenses must be itemized and applicable receipts provided, along with a detailed explanation outlining reasons for expenditures.

When preparing expense reports on behalf of someone else always ensure you change the requester field to the person you are preparing the report for. If you are preparing a report for your supervisor then you should be noted as the preparer and your supervisor as the requester.

Always complete the Note section of the expense report – indicating the items being expensed on the report. For example, Expenses for May 2007 – lunch catering, courier, stationery, etc. or Expenses re: Trip to Toronto for ABC Conference – July 16 – 19, 2007.

NOVA SCOTIA POWER
An Emera Company

April 30, 2009

Nancy McNeil
Clerk of the Board
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
P.O. Box 1692, Unit "M"
Halifax, NS B3J 3S3

Re: Analysis of Executive Management Expenses - 2008

Dear Ms. McNeil:

On behalf of Nova Scotia Power I enclose 15 copies (10 confidential and five redacted) of the annual Executive Management Expense Report.

The confidential version of the Report contains personal compensation information for NSPI and Emera employees. This information is highly confidential and should not be shared with any parties outside of the Board.

Yours truly,

Rene Gallant
General Manager Regulatory Affairs

c: Rob Bennett, President & CEO

Analysis of Executive Management Expenses

REDACTED

Filed April 30, 2009

NOVA SCOTIA POWER
An Emera Company

Table of Contents

Attachments

1.0 INTRODUCTION

This report informs the Nova Scotia Utility and Review Board (the "UARB") about Nova Scotia Power Inc ("NSPI") executive compensation and expenses for 2008.

As part of the decision in Nova Scotia Power's 2002 General Rate Case, the UARB directed:

> "… NSPI to provide on an annual basis, a detailed analysis showing executive management expenses, including compensation, expenses, memberships and other personal benefits including loans."

This is the seventh annual report filed consistent with the Board's direction. Details of compensation are provided including benefits and other expenses for the Executive Management Team allocated or direct charged to NSPI. For the purpose of this report, "executive" includes any member of the NSPI or Emera Inc. ("Emera") executive teams, any portion of whose compensation, benefits or other expenses are charged to NSPI.

Executive compensation for NSPI is determined by the Management Resources, Compensation, Environment, Safety and Security Committee (MRCESS Committee) of the NSPI Board of Directors. The MRCESS Committee members are Mrs. R. Irene D'Entremont, C.M. (Chair), Mr. Wesley G. Armour, and Mr. John T. McLennan. The NSPI Board of Directors reviews the recommendations of the MRCESS Committee and as part of its duties establishes compensation for NSPI senior management.

Emera has a separate Management Review Compensation Committee (MRCC), consisting of Dr. Elizabeth Parr-Johnston (Chair), Mr. Allan L Edgeworth and Mr. John T. McLennan. This committee approves the NSPI MRCESS and NSPI Board of Director's compensation recommendations as well as the compensation for Emera and NSPI Executives.

In developing the total compensation structure for the Executive, the MRCESS Committee considers advice from an independent consultant that makes comparisons to other companies and other positions, which reflect market competition for executive talent. As part of this review, base salary is generally designed to result in remuneration at, on average, the median (50^{th} percentile) of the comparator companies. Compensation is a critical success factor in recruiting and retaining effective senior management.

By correspondence dated October 10, 2006, the UARB directed that a specific comparator group be used. The most recent independent executive compensation review has been provided confidentially with this report as Attachment A. This document, being the proprietary advice of an independent consultant, is confidential in its entirety, therefore no redacted version is provided.

2.0 KAISER ASSOCIATES, INC RECOMMENDATIONS

In 2008, UARB consultant Kaiser Associates, Inc. ("Kaiser") completed a study of NSPI Executive Compensation, which was filed and considered by the UARB in the 2009 General Rate Application. NSPI responded to the Kaiser report in its Reply Evidence in that proceeding, filed September 10, 2008 (see section 5.9, at pages 72-77). By Decision dated November 5, 2008, the UARB directed NSPI to continue to file this annual report, and also stated at paragraph 86:

> "…In the interim, and in light of this decision, NSPI should further consider the recommendations contained in Kaiser's Executive Compensation Review. The Board will continue to monitor this issue and it reserves the jurisdiction to issue further directions with respect to the reporting of executive compensation."

Kaiser's recommendations are in the Executive Summary of the report, at page 1:

> "For future benchmarking studies of NSPI executive compensation, Kaiser suggests the following:
>
> - Including the whole bonus figures in the TTC benchmarking;
> - Include stock-based compensation as part of the analysis;
> - Look at compensation position by position as well as in the aggregate;
> - Factor in cost of living adjustments;
> - Benchmark targets and achievements on executive scorecard against comparators."

Further to the UARB directive to consider these recommendations, NSPI requested the opinion of its external expert, Towers Perrin. Correspondence from Towers Perrin, commenting on the Kaiser recommendations, is attached as Appendix B. NSPI accepts the opinion of Towers Perrin in respect of the Kaiser recommendations.

Towers Perrin is annually requested to benchmark the regulated compensation of Company executives. Consistent with prior decisions of the UARB, fifty percent of short-term incentive payments charged to NSPI are excluded for the purpose of calculating regulated earnings and in determining and setting rates. Stock based options are also excluded from the analysis since these are funded by shareholders, not by customers of NSPI. As such, these items are appropriately excluded from annual compensation benchmarking.

Towers Perrin indicates that its annual report accommodates Kaiser's third suggestion (at page 2 of the Towers Perrin March 10, 2009 correspondence):

> "For the NSPI review, we provide comparisons of NSPI's rate base-related compensation to the market on an overall basis by compensation element (see page 2 of the January 21, 2009 report). In addition, we include tables that provide market comparisons on a position-by-position basis for each compensation element (page 8 and following of the January 21, 2009 report). It is our understanding that the full report is submitted annually to the UARB, and therefore fulfills Kaiser's third recommendation."

NSPI has further considered the final two recommendations from Kaiser, and respectfully suggests these recommendations should not be adopted. As noted by Towers Perrin, it is standard practice not to incorporate geographic differentials in compensation benchmarking. In respect of Kaiser's final recommendation, NSPI compensation reviews are based upon target compensation, which avoids unnecessary complication and uncertainty that can be generated by attempts to align performance within industry or among comparators. For example, Kaiser noted in response to an Information Request (IR-37) that only one operator in the Kaiser comparator reported incentive calculations.

NSPI respectfully suggests that the Kaiser recommendations do not improve the reporting of NSPI executive compensation.

3.0 EXECUTIVE COMPENSATION, BENEFITS AND OTHER EXPENSES

A Summary of NSPI's 2008 Executive Compensation, Benefits and Other Expenses is provided as Attachment C. This attachment reports compensation, personal benefits and other corporate expenses attributed to the individuals covered by the Board directive, (i.e., all members of the NSPI or Emera Inc. executive management any portion of whose compensation, benefits or other expenses has been charged to NSPI). Individual specific information is provided for those executives whose compensation information is publicly reported under Canadian securities law and who have salaries, benefits or incentives allocated/charged directly to NSPI. For 2008, this includes Mr. Ralph Tedesco and Mr. Rob Bennett. During 2008, Mr. Bennett succeeded Mr. Tedesco as President and Chief Executive Officer of NSPI. Compensation and other information for the remaining NSPI and Emera executive are provided in aggregate under the heading "Other, NSPI" in the public version of the Summary.

The UARB has been provided, in confidence, an expanded version of the Summary of the NSPI's 2008 Compensation, Benefits and Other Expenses separately listing the information for each of the individuals in the "Other, NSPI" group. For the year 2008 the executives who are included in this group are:

- Rick Janega, Executive VP and Chief Operating Officer
- Dan Muldoon, GM, Customer Operations
- Alan Richardson, VP Commercial Operations
- James Taylor, GM, Environmental Planning and Monitoring
- Rene Gallant, GM & Regulatory Counsel
- William Hattie, VP Generation Planning & Infrastructure
- Greg Blunden, VP Finance & Treasurer
- Gerald Weseen, GM Communications & Public Affairs
- Rick Smith, Corporate Secretary (Emera and Nova Scotia Power)

Most were NSPI executives for the full or partial year of 2008 and were wholly charged to the regulated utility in that year. Please see Attachment C for details.

Costs have been allocated based on records for costs chargeable to NSPI for NSPI business purposes. As well, for corporate support services cost allocation, only charges incurred on behalf of NSPI are charged to NSPI. No other Emera Executive compensation, benefits or expenses are allocated to NSPI's regulated business activities.

4.0 DESCRIPTION OF COMPENSATION, BENEFITS AND OTHER EXPENSES

This section describes each category in the attached table "Summary of NSPI's 2008 Executive Compensation, Benefits and Other Expenses" and represents the forms in which compensation, other personal benefits, and business related expenses are incurred. The table reflects only those costs allocated to NSPI for 2008.

Salary

This refers to base salary paid to the individual. It reflects the degree of special skills and knowledge required to successfully carry out the responsibilities of the role, as well as the market conditions for competitive positions in NSPI's labour market. This is separate from any incentive-based compensation. Base salaries are benchmarked against the median of the salaries paid to positions with similar responsibilities by comparator companies.

Annual Incentive Plan

This category reflects monetary compensation provided to individuals based on performance. Awards are made based on a scorecard process that rewards employees for advancing corporate objectives. Consistent with the UARB's directive, fifty percent of short-term incentive payments charged to NSPI is excluded for the purpose of calculating regulated earnings and in determining and setting rates. Target payouts under the plan are set as a percentage of salary and are benchmarked against the median for positions with similar responsibilities in comparator companies. The target level represents the amount that would be paid if all objectives were achieved at planned levels.

The Emera Board of Directors has also approved a Deferred Share Unit Plan (the "DSU Plan") for certain Executives and senior management. The DSU Plan is intended to facilitate achievement of share ownership guidelines without diluting the shareholder base. The DSU Plan allows each participant to elect to defer all or a percentage of the

annual incentive award in the form of DSUs, with the proviso that for participants who are subject to Executive Share Ownership Guidelines[1], a minimum of fifty percent of the value of their actual annual incentive (twenty-five percent in the Executive's first year of the program) will be payable in DSUs until the applicable guidelines are met. DSUs are held until an employee leaves the Company.

The Emera Board of Directors may from time to time grant discretionary DSUs to an eligible employee. The Emera Board of Directors shall specify the number of units and the conditions of vesting.

Long-Term Incentive Program

The elements of NSPI's actual compensation outlined are consistent with the elements allowed for in the rates as determined by the UARB.

Car Allowance

An allowance is paid to individuals in recognition of travel being a necessary part of the role. The amount per individual varies with each role.

Taxable Benefits

This includes company contributions to the employee share purchase plan, tax preparation, computer purchase interest free loan and parking.

[1] To align the interest of senior management with the interests of shareholders, share ownership guidelines were introduced for designated Executive Officers in 2003. The guidelines, which must be achieved within five years, are as follows:

President and/or Chief Executive Officer:	2.0 times salary
Other Eligible Executives:	1.0 times salary

Employer Funded Benefits

This includes health, dental, life and accidental death and dismemberment insurance as well as pension and long-term disability insurance premiums.

Memberships

This includes professional and business memberships. Professional membership fees are paid in support of maintaining an individual's professional standing. Examples of professional membership fees paid for some individuals included the Institute of Chartered Accountants of Nova Scotia, the Nova Scotia Barristers' Society and the Association of Professional Engineers of Nova Scotia. In some cases, fees for a membership in other professional associations are paid as a matter of supporting employees in maintaining professional or technical expertise that is used to the benefit of the company. Memberships in various organizations also serve to build and enhance business relationships in the community that are supportive of attaining NSPI's business objectives.

The foregoing are the categories that cover executive compensation and benefits. The total cost is listed in the Summary of NSPI's 2008 Executive Compensation, Benefits and Other Expenses under the heading "Total Compensation and Benefits".

The following refers to other business expenses incurred with regard to the executive relating to business travel and meals and entertainment. These expenses are governed by the Business Expense Reimbursement policy (see Attachment D).

Amounts reported in these categories are only those expenses incurred on behalf of NSPI.

Travel

Business travel consists of travel to business meetings and conferences that relate to NSPI in particular or to our business in general. Examples of business meetings attended include meetings with bond rating agencies and industry analysts, as well as industry meetings, professional education and speaking engagements such as with the Canadian Electrical Association and the North American Electric Reliability Council. This expense is a necessary part of NSPI's business, which includes maintaining NSPI's standing in the investment community, helping to shape the development of the electricity industry in Canada and maintaining a high level of knowledge about current and best practices in the industry that relate to operating a generation, transmission and distribution utility.

Meals and Entertainment

These expenses are generally for meals and hospitality/entertainment associated with business meetings and conferences. The majority of meal related expense in this category is related to business travel. The cost of meals and hospitality for hosting third party business contacts that have an interest in our business are also included. This is a necessary part of fostering relationships with stakeholders.

Where an executive has chaired internal meetings that continued through employee meal hours; the cost of providing lunch or dinner to the entire employee group participating in such a meeting may be included in the amount attributed to individual Executive members.

Other Expenses

These expenses are associated with relocation of a personal residence as a result of a move from another employer to NSPI or a Company-initiated transfer to a new location or interest free housing loan taxable benefit

5.0 CONCLUSION

In hiring and retaining experienced and talented individuals to manage the company, NSPI seeks to ensure that the company is able to achieve its business objectives.

Compensation survey data is reviewed to ensure NSPI's total compensation package is competitive and the Company is able to attract and retain talented executives. NSPI, and the UARB, can rely upon the expert work and advice of Towers Perrin in respect of executive compensation. NSPI respectfully suggests that the Kaiser recommendations do not improve the reporting of NSPI executive compensation.

Incentive payouts are performance based and are intended to reward individuals for the achievement of predetermined levels of performance in support of corporate objectives. Corporate objectives focus on customer, employee, operational and financial aspects of the business that seek to ensure the company delivers on its commitments to customers and shareholders. Individuals are only compensated through incentives if they achieve their objectives.

Other benefits paid to Executive members, as part of total compensation, are designed to attract and retain key talent, in a competitive national market, thereby serving the interests of customers and shareholders.

Attachment A
Towers Perrin 2009 Executive
Compensation Review

THIS ATTACHMENT HAS BEEN REMOVED DUE TO CONFIDENTIALITY

Attachment B

Towers Perrin Comment regarding Kaiser Associates, Inc. Recommendations

TOWERS PERRIN

PRIVATE AND CONFIDENTIAL

March 10, 2009

Mary Agnes Moar
Manager, Compensation & Benefits
Nova Scotia Power Inc.
14th Floor, Barrington Tower
1894 Barrington Street
Halifax, NS
B3J 2W5

Dear Mary Agnes:

RE: REPORT ON NSPI EXECUTIVE COMPENSATION

Further to our recent conversations, the purpose of this letter is to respond to the recommendations raised in the Kaiser Associates' Executive Compensation Review of Nova Scotia Power Inc. ("Kaiser Report"). We provide our perspective, and additional detail where warranted, on the recommendations included in the Kaiser Report pertinent to Towers Perrin's annual review of executive compensation for Nova Scotia Power Inc. ("NSPI").

The remainder of this letter contains both general commentary and direct responses to Kaiser's recommendations.

General Commentary

Towers Perrin was requested by NSPI to conduct an annual review of compensation for executive positions versus their market comparators. The results of this analysis are presented annually in a report, comparing overall and individual compensation levels versus the market.

We understand that our reports are subsequently reviewed by Emera and NSPI's MRCC and filed with the Nova Scotia Utility and Review Board ("UARB"), at which time they become available to UARB consultants such as Kaiser Associates for their analysis.

To date, and as requested by NSPI, Towers Perrin's annual review is based upon benchmarking only compensation included in NSPI's rate base versus their comparators. At NSPI's request, and consistent with previous UARB compensation filings, the NSPI compensation elements compared to the market, and included in NSPI's rate base, consist of current salaries and 50% of the target annual bonus opportunity. Compensation financed by shareholders is excluded. Our observations indicate that the compensation included in NSPI's rate base is positioned below market and this result reflects the limited scope of the review. Consequently, our report does not provide recommendations or observations on the design of compensation programs.

With respect to comments about Towers Perrin's report within the Kaiser Report, we understand that the following recommendations have been submitted to the UARB:

1. Include 100% of the target annual bonus opportunity in target total cash comparisons.
2. Include stock-based compensation.
3. Look at results on a position-by-position basis as well as overall positioning.
4. Factor in cost of living adjustments.
5. Benchmark targets and achievement of targets on the executive scorecard against comparators.

It is our understanding that the purpose of our report for NSPI is to compare rate base and not shareholder financed compensation versus the market.
We will respond to the remaining recommendations in detail below.

Market Comparisons

Towers Perrin routinely conducts compensation reviews where we may report on actual positioning versus market in the following areas:

- Compensation element (e.g., salary, target total cash),
  - Can be compared in aggregate or on a position-by-position basis
- Average by executive level (e.g., EVP, SVP), and/or
- Individual positioning.

For the NSPI review, we provide comparisons of NSPI's rate base-related compensation to the market on an overall basis by compensation element (see page 2 of the January 21, 2009 report). In addition, we include tables that provide market comparisons on a position-by-position basis for each compensation element (page 8 and following of the January 21, 2009 report). It is our understanding that the full report is submitted annually to the UARB, and therefore fulfills Kaiser's third recommendation.

Adjustments to Competitive Results

It has been Towers Perrin's experience that executive talent is a national labour pool, and consequently our standard practice is not to incorporate geographic differentials in our analyses. Competitive data reflect the national pay levels that a company would expect to deliver in order to attract and retain an incumbent.

Geographic differentials are typically taken into account at lower level positions, and are most often used for employees that are likely to be recruited from the local area only, such as clerical, production and administrative incumbents. While we understand that the current NSPI incumbents may be long-tenured employees in the eastern region, we do not feel that competitive data adjusted by a geographic COLA to reflect the location of NSPI is appropriate when the purpose of the report is to provide a competitive market comparison for the role.

All competitive data are collected annually by Towers Perrin, effective March 1 of the relevant year. For the data included in the January 21, 2009 report, data are effective March 1, 2008. In addition to compensation surveys, we also conduct an annual Salary Management Survey which collects information on actual salary increases by executive level, geographic region and industry in the most recent fiscal year (i.e., 2008) as well as projected salary increases that companies have budgeted for the coming fiscal year (i.e., 2009). In previous versions of the report, we have increased competitive results to reflect the projected salary increase budget for executives in Canada (e.g., data were adjusted upwards by 3.5% in 2008).

Performance Targets & Achievement

Incentive plans are generally designed to align compensation with corporate, business unit and/or individual performance. Performance measures are often derived from the company’s strategic plans, and may reflect absolute or relative financial and non-financial measures. Target performance levels may be set by companies to align with budget expectations, to reflect the current overall market environment or expected industry performance.

Within our annual compensation reviews conducted for NSPI, we have not been requested to review the design of NSPI’s compensation programs, or their performance relative to their comparators. All analyses are conducted on a target compensation basis, and do not reflect actual compensation levels which may be influenced by the performance of the industry and/or individual companies.

As such, Towers Perrin is not in a position to assess NSPI’s actual performance versus peers, and the respective effect on their overall competitiveness.

*   *   *   *   *

TOWERS PERRIN

Mary Agnes, we trust that this provides you with the additional information you require. Once you have had a chance to read our response, please give us a call to discuss your feedback.

Regards,

Elizabeth Greville

cc: Katie Anderson – Towers Perrin
Anne-Marie Curtis – NSPI

Attachment C

Summary of NSPI's 2008 Executive Compensation, Benefits and Other Expenses

REDACTED

Redacted - Summary of NSPI's 2008 Executive Compensation, Benefits and Other Expenses

Name	Job Title	2008 Salary (1)	Cash Incentive Payments (2)	DSU Election in Lieu Cash Incentive (3)	RSU (4)	Tax Payment/Other Bonus (5)	Car Allowance and Mileage (6)	Stock Options Exercised (7)	Taxable Benefits (8)	Employer Funded Benefits (9)	Memberships (10)	Total Benefits (11)	Total Compensation and Benefits (12)	Travel (13)	Meals & Entertainment (14)	Other Expenses (15)	Total Expenses (16)	Allocation Factor for Salaries, Incentives & Benefits (17)	Total NSPI Allocation (18)
TEDESCO,RALPH RICHARD	PRESIDENT & CEO, NSPI	$450,000	$40,405	$40,405	$ -	$39,443	$13,371	$ -	$10,761	$21,634	$0	$45,766	$616,019	$67,843	$4,851		$72,694	100%	**$688,713**
BENNETT, ROB	PRESIDENT & CEO, NSPI	$326,965	$0	$0	$ -	$0	$5,004	$ -	$1,100	$10,957	$354	$17,061	$344,380	$7,605	$5,119	$170,377	$183,101	100%	**$527,481**
SUBTOTAL		$776,965	$40,405	$40,405	$ -	$39,443	$18,375	$ -	$11,861	$32,592	$354	$62,827	$960,399	$75,448	$9,970	$170,377	$255,795		**$1,216,194**
Other NSPI																			
SUBTOTAL		$1,421,434	$197,380	$8,127	$ -	$16,500	$67,759	$ -	$18,085	$137,409	$7,310	$228,698	$1,862,950	$74,939	$7,021		$78,861		**$1,941,811**
Total		**$2,198,399**	**$237,785**	**$48,532**	$ -	**$55,943**	**$86,134**	$ -	**$29,946**	**$170,001**	**$7,664**	**$291,525**	**$2,823,349**	**$150,387**	**$16,991**	**$170,377**	**$334,656**		**$3,158,005**

Column Notes:

1 As outlined in the text of this report, Executive salaries, benefits and incentives are allocated based on documented time-keeping records. Amounts shown reflect actual earnings for the period that have been allocated/charged directly to NSPI.
2 As per the 2002 Rate Decision, fifty percent of incentive payments charged in NSPI is excluded from regulated earnings. The amounts included in columns 2 and 3 are the total incentive payments for 2007 (paid in 2008 calendar year) reduced by 50% to reflect allocation to NSPI.
3 See above
4 RSUs have not been included in NSPI's revenue requirement and are excluded for the purpose of calculating regulated earnings.
5 Ralph Tedesco's tax payment is to cover the taxation difference between the US and Canada
6 This amount is the NSPI allocated portion of car allowance and mileage paid
7 Stock options have not been included in NSPI's revenue requirement and are excluded for the purpose of calculating regulated earnings.
8 This includes company contributions to the employee share purchase plan, tax preparation, interest free computer loan and parking
9 Employer funded benefits include health, dental, group life insurance, AD&D insurance, pension and long-term disability insurance premiums
10 Includes professional memberships allocated to NSPI. Wellness memberships have been excluded as they are excluded from regulated earnings.
11 This includes the car allowance portion of column 6, Taxable benefits column and Employer funded Benefits column
12 Total Compensation and Benefits is the sum of Columns 1,2,3,4,5, 10 and 11
13
14
15
16 Total Expenses are a sum of columns 13, 14 and 15 (travel and meals and other expenses)
17 This allocation factor is the % of salary and benefits assigned to NSPI
18 This is the total compensation amount which has been allocated to NSPI

Attachment D

Emera Business Expense Reimbursement Policy

FINANCIAL POLICIES AND PROCEDURES

Business Expense Reimbursement

Last Updated: January 12, 2009

This page is maintained by Emera's Controllers Department

POLICY

The Emera Group of Companies (Emera) will reimburse employees for all reasonable actual authorized expenses incurred while on Company business.

Where employees are governed by the provisions of a Collective Agreement, it will take precedence over this policy where applicable.

Throughout this document Emera is used to refer to Emera Inc. and all of its wholly-owned subsidiaries and investments.

EXPENSE REPORTS

EXPENSE REPORTS

01 Reimbursement Guidelines

Actual reasonable business expenses incurred on behalf of Emera are accounted for and reimbursed.

- Expense reports should be submitted for approval within a month of the related expenditure.
- Employees will be accountable for exercising good judgment in their business expenditures.
- Although guidelines are provided below, employees should check with their supervisor before traveling or incurring expenses to obtain an understanding of what expenses are deemed to be reasonable in the particular circumstances.

02 Approval Policy

Management is responsible for approval of all expense claims of their direct reports. Management is accountable for the validity and accuracy of expense claims they approve.

- It is the responsibility of the approver to ensure guidelines governing business expense reimbursement are followed.
- Approval of all expense reports is done electronically.
- The approver is the only person who verifies the accuracy of expense reports submitted to them. Approvers should review expense reports for the following items before approval:

    - Overall reasonableness and appropriateness
    - Ensure that account numbers used are correct
    - Ensure original receipts are attached
    - Ensure amounts claimed are accurate and consistent with receipts
    - Ensure total per paper copy agrees to computer total

- When charging expenses into another manager's cost centre, ensure that manager is aware of the charge and approves the allocation.
- The Invoice Express software will not accept expense reports greater than $10,000 (before tax). The approver's manager will receive notification (information only) if the expense report exceeds $4,000 (before tax).
- Approval of expense reports should be done by the expense report submitter's manager. If that person is not available, another authorized manager can approve the report.
- If an Administrative/Executive Assistant is incurring costs on behalf of his/her Manager/Executive member, that expense must be signed off by another Manager/Executive member, in addition to the regular Approver.
- In situations when an expense report is approved by an alternate manager, the hard copy should be forwarded to the direct manager for filing and storage.

03 Storage Policy

Expense reports and receipts should be retained for seven years in accordance with regulations of the Canada Revenue Agency. Of the seven years, only the two most recent need to be stored at your location.

- Storage of expense reports is the responsibility of each department's manager/head.
- Copies of expense reports and associated receipts should be stored in a locked cabinet and filed by employee within each year.
- Expense reports are considered the property of the department in which the expenses were incurred; therefore they should remain stored in that department regardless of staff changes.

- With on-line approvals, signatures are not required. However, it is the manager's responsibility to ensure that the on-line copy matches the file copy.

04 Reason for Expenditure Guideline

The Reason for Expenditure section should be completed. Items required include the reason for the expenditure, the location of the expenditure, and a list of individuals who incurred the expenditures.

05 Receipts Policy

Receipts submitted for all expenses over $30 should disclose the actual amount of tax paid. For audit purposes, the Canada Revenue Agency requires this information and the supporting documentation.

- Credit card receipts do not provide sufficient detail to be submitted alone. The actual purchase receipt is required for **all** expenditures. In particular, restaurant receipts must include both the itemized restaurant receipt, in addition to the Visa/Mastercard receipt. Original receipts are required for all expenditures including:
  - Hotel accommodations – meals & entertainment and telephone expenses should be broken out and recorded in the proper account – please note that in-room hotel movies are NOT a claimable/allowable expense
  - Meals & entertainment
  - Car rentals
  - Airfare
  - Parking
  - Transportation

Expenses submitted without a receipt must be reasonable and explainable. Receipts are not required for expenses such as mileage claims and claims for incidental expenses such as baggage handling, newspapers, laundry, etc.

If a receipt is misplaced or lost please include a copy of the pro-card/visa statement, highlighting the particular item that is being claimed.

06 Meals & Entertainment Policy

All meals and entertainment expenses should be recorded in the designated general ledger account in each company in the Emera group for income tax reporting. The Canada Revenue Agency allows only 50% of business meals and entertainment to be deducted for tax purposes. Therefore, it is important that other costs, which are fully tax deductible, not be charged to these accounts.

Entertainment/Hospitality

Some employees, because of the nature of their work, have contact with business associates outside of Emera, where it is necessary, on occasion, to provide hospitality. Actual and reasonable expenses may be included in the expense report for reimbursement. Employees should discuss what is reasonable in the circumstances with their manager before incurring the expense.

Detail on meal and entertainment claims must include the location, the attendees by name and the company name of any external attendees – i.e., Lunch at Sweet Basil – John Smith, Jane Jones and Bill Johnson, ABC Company.

- The Canada Revenue Agency considers the following expenses to be meals and entertainment:
  - employee meals while out of the office
  - cost of lunches catered for a departmental meeting
  - employee recognition lunches

- retirem ent functions
- long-service award functions
- the cost of entertaining clients and customers

- The Canada Revenue Agency does not consider the following expenses to be meals and entertainment. Therefore, they should not be charged to the designated general ledger account:
  - expenses relating to a fundraising event, the primary purpose of which is to benefit a registered charity.
  - costs billed directly to a customer and specifically identified as such costs.

Gratuities

It is normal business practice to tip 10% to 15% for good service. Employees should claim reasonable gratuities for services provided.

07 Incidental Expense Allowance Guideline

When employees are traveling away from their workplace and are required to stay overnight, reasonable incidental expenses such as baggage handling, newspapers, laundry, etc., can be claimed.

Claims for incidentals must be limited to $10.00 per day and incidental items should not be claimed separately, i.e., you should not claim $10.00 a day for incidentals and also claim a newspaper purchase for the same day. The intent is for incidentals to cover miscellaneous purchases such as newspapers, coffee, water, etc. For those employees who are traveling to countries where incidental expenses may exceed the $10.00 a day allotment, you must clear any additional expenditure with your supervisor prior to travel. For audit purposes please attach to the expense report a copy of the e-mail request authorizing the additional amount in excess of $10.00 per day.

08 Private Accommodations Guideline

An employee who prefers to stay at the home of a relative or friend will be reimbursed for the actual amount that they pay their host for accommodation, up to a daily maximum of $30.00.

09 Travel Arrangements Policy

When traveling, employees should use their good judgment and select the shortest and most direct routes. Employees must use the corporate travel agent when booking travel arrangements, including flights, car rentals and hotel to ensure that the Emera discounts are received.

Air Travel

- Air travel should be arranged at the lowest, unrestricted economy class fare available.
- In circumstances where an individual is required to engage in an exceptional amount of travel or travel to less accessible locations, executive class fares and/or charter flights may be purchased on flights in excess of three hours, subject to the prior approval of the individual's Vice-President or, in the case of the Executive, the CEO. For audit purposes please attach to the expense report a copy of the request and approval authorizing the executive class fares and/or charter.
- Employees should take advantage of reduced fares, advance bookings and special rates where reasonable.
- Emera encourages weekend travel to take advantage of lower discount airfares. During this extended stay Emera will pay for reasonable and actual living expenses (meals and accommodations). If car rental is required for business purposes, this expense can be also be claimed for the extended stay. The discount airfare, plus the extended living expenses, must be less than regular economy class airfare.
- Employees will not be reimbursed for airline tickets purchased using frequent flyer miles.
- Supervisors should pre-approve expenditures when business and personal trips are to be on the same airline ticket.

- Transportation to and from the airport is an allowable travel expense.
- Additional travel insurance coverage cannot be claimed as an expense.
- When expensing air travel, boarding passes and/or baggage claim tickets must be attached to the ticket as proof the flight was taken.
- The e-ticket/paper ticket and the invoice including the travel agent’s processing/service fee should be submitted as two entries, so that the price of the ticket and the service fee are clearly identified and expensed as separate line items.

Surface Travel

Vehicle Rentals

Employees are permitted to rent a vehicle when required to travel for business on behalf of Emera.

- Vehicles should be rented only when economically justified (i.e., less expensive than taxis).
- Insurance offered by the auto rental company should be declined as the Emera corporate auto insurance covers necessary collision and comprehensive insurance. The auto rental company provides necessary third party liability.
- Additional personal injury insurance is not covered by the Emera corporate auto insurance policy and is not a reimbursable expense.

Personal Vehicle

- Employees permitted to use their own private means of transportation, in lieu of airline travel, will be reimbursed at the Emera published private vehicle rate, or the equivalent of an economy class air fare plus associated ground transportation (i.e., taxi to and from the airport), whichever is less.
- Emera allows employees, who do not receive a vehicle allowance, to claim the following mileage amount for use of a private vehicle on company business.

  - $0.38 per kilometer

Note: These rates are subject to change and can be confirmed with the Fleet Manager.

- For those employees who receive a vehicle allowance please note that mileage claims must be made via PeopleSoft as they are a taxable benefit.
- Departure and destinations must be identified on the expense report form along with the associated kilometers claimed.
- Traffic and parking tickets are the responsibility of the employee.

10 Phone Call Guideline

When traveling overnight for business purposes, employees are permitted to call home. Frequency of calls is up to the discretion of the employee and their supervisor.

11 Business Expense Funding Policy

A travel advance may be issued, if requested by an employee and approved by his/her supervisor.

- Travel advances should be recorded in the designated general ledger receivable account.
- The employee should provide a schedule to his/her direct supervisor supporting the amount requested by type of expenditure.
- The employee should submit an expense report within one month of the related travel and return any unused portion of the advance to Emera at that time.

- For extensive travel, a Standing Travel advance may be issued to cover anticipated travel expenses for one month. The employee is required to submit a monthly claim for travel expenses incurred.

NOTE: This policy is currently under review and subject to change.

12 Foreign Funds Policy

All expenses paid in foreign funds should be reported on the expense report in the currency in which the expense was paid. Once the exchange rate is entered by the employee, Invoice Express will calculate the Canadian dollar equivalent.

- The actual exchange rate paid should be used when it is available, i.e., translation on credit card statement, transaction receipt from a bank, etc.
- If the actual exchange rate paid is not available, the approximate average exchange rate over the period of travel should be used. This rate may be obtained from a bank, a newspaper, or the internet.
- Include a copy as backup if you obtain the exchange rate via an alternate source, i.e., the internet.
- Always include a copy of the Pro-Card statement when claiming US or other currency expenses – this will show the exchange rate and the total cost of claimed items.
- Foreign exchange translation fees are considered reimbursable business expenses.

13 Parking Policy

When an employee is authorized to use a private vehicle on company business travel he/she will be reimbursed for the actual cost of parking the vehicle for the day.

14 Spousal Claims Policy

- Where a spouse accompanies an employee on a business trip the payment or reimbursement by the employer of the spouse's traveling expenses is a taxable benefit to the employee unless the spouse was, in fact, engaged primarily in business activities on behalf of the employer during the trip. These expenses must be communicated to HR to ensure the taxable benefit is recorded.

Note: Additional information to follow regarding this policy.

15 Miscellaneous Expense Report Notes

Cash Advances for miscellaneous expenses – all expenses must be itemized and applicable receipts provided, along with a detailed explanation outlining reasons for expenditures.

When preparing expense reports on behalf of someone else always ensure you change the requester field to the person you are preparing the report for. If you are preparing a report for your supervisor then you should be noted as the preparer and your supervisor as the requester.

Always complete the Note section of the expense report – indicating the items being expensed on the report. For example, Expenses for May 2007 – lunch catering, courier, stationery, etc. or Expenses re: Trip to Toronto for ABC Conference – July 16 – 19, 2007.

Analysis of Executive Management Expenses

REDACTED

Filed April 30, 2010

NOVA SCOTIA POWER
An Emera Company

Table of Contents

Attachments

1.0 INTRODUCTION

This report informs the Nova Scotia Utility and Review Board (the "UARB") about Nova Scotia Power Inc. ("NSPI") executive compensation and expenses for 2009.

As part of the decision in Nova Scotia Power's 2002 General Rate Case, the UARB directed:

> "… NSPI to provide on an annual basis, a detailed analysis showing executive management expenses, including compensation, expenses, memberships and other personal benefits including loans."

This is the eighth annual report filed consistent with the Board's direction. Details of compensation are provided including benefits and other expenses for the Executive Management Team allocated or direct charged to NSPI. For the purpose of this report, "executive" includes any member of the NSPI or Emera Inc. ("Emera") executive teams, any portion of whose compensation, benefits or other expenses are charged to NSPI.

In 2008, the UARB reviewed NSPI's executive compensation and received advice from an external consultant to the Board. Following a public review of the report and with input from NSPI and intervenors, the Board confirmed the appropriateness of NSPI's overall executive compensation expense, and directed annual reporting to continue[1]. NSPI was directed to further comment on the advice of the consultant, and did so in NSPI's 2008 report (filed April 30, 2009). Following a review of the 2008 report, the Board confirmed that current reporting standards are adequate, and that careful scrutiny of executive expenses by the UARB would continue on an annual basis[2].

Executive compensation for NSPI is determined by the Management Resources, Compensation, Environment, Safety and Security Committee (MRCESS Committee) of the NSPI Board of Directors. The MRCESS Committee members are Mrs. R. Irene

[1] 2008 NSUARB 140 (2009 General Rate Application Decision), at paragraphs 84-86
[2] UARB letter, June 10, 2009

D'Entremont, C.M. (Chair), Mr. Wesley G. Armour, and Mr. John T. McLennan (replaced with Jim Eisenhauer in May, 2009). The NSPI Board of Directors reviews the recommendations of the MRCESS Committee and as part of its duties establishes compensation for NSPI senior management.

Emera has a separate Management Review Compensation Committee (MRCC), consisting of Dr. Elizabeth Parr-Johnston (Chair), Mr. Allan L Edgeworth, Mr. John T. McLennan, Ms. Jackie Sheppard and Mr. Don Pether. This committee approves the NSPI MRCESS and NSPI Board of Director's compensation recommendations as well as the compensation for Emera and NSPI Executives.

In developing the total compensation structure for the Executive, the MRCESS Committee considers advice from an independent consultant that makes comparisons to other companies and other positions, which reflect market competition for executive talent. As part of this review, base salary is generally designed to result in remuneration at, on average, the median (50^{th} percentile) of the comparator companies. Compensation is a critical success factor in recruiting and retaining effective senior management.

By correspondence dated October 10, 2006, the UARB directed that a specific comparator group be used. The most recent independent executive compensation review by Towers Watson (formerly Towers Perrin) has been provided confidentially with this report as Attachment A. This document, being the proprietary advice of an independent consultant, is confidential in its entirety, therefore no redacted version is provided.

2.0 Executive Compensation, Benefits and Other Expenses

A Summary of NSPI's 2009 Executive Compensation, Benefits and Other Expenses is provided as Attachment B. This attachment reports compensation, personal benefits and other corporate expenses attributed to the individuals covered by the Board directive, (i.e., all members of the NSPI or Emera Inc. executive management any portion of whose compensation, benefits or other expenses has been charged to NSPI). Individual specific information is provided for those executives whose compensation information is publicly reported under Canadian securities law and who have salaries, benefits or incentives allocated/charged directly to NSPI. For 2009, this includes Mr. Rob Bennett. During 2008, Mr. Bennett succeeded Mr. Tedesco as President and Chief Executive Officer of NSPI, and Mr. Tedesco retired from Nova Scotia Power Inc. at the end of 2008. Compensation and other information for the remaining NSPI and Emera executive are provided in aggregate under the heading "Other, NSPI" in the public version of the Summary.

The UARB has been provided, in confidence, an expanded version of the Summary of the NSPI's 2009 Compensation, Benefits and Other Expenses separately listing the information for each of the individuals in the "Other, NSPI" group. For the year 2009 the executives who are included in this group are:

- Rick Janega, Executive VP and Chief Operating Officer
- Dan Muldoon, GM, Customer Operations (part-year)
- Mark Savory, VP Technical and Construction Services
- Robin McAdam, Executive VP Sustainability
- Alan Richardson, VP Integrated Customer Service
- James Taylor, GM, Environmental Planning and Monitoring
- Rene Gallant, GM & Regulatory Counsel
- William Hattie, VP Generation Planning & Infrastructure (part-year)
- Greg Blunden, VP Finance & Treasurer (part-year)

- Brian Rendell, GM Finance (part-year)
- Gerald Weseen, GM Communications & Public Affairs
- Barb Meens Thistle, GM Human Resources (part-year)
- Rick Smith, VP Corporate Insurance and Assets
- Stephen Aftanas, Corporate Secretary (Emera and Nova Scotia Power)

Most were NSPI executives for the full or partial year of 2009 and were wholly charged to the regulated utility in that year. Please see Attachment B for details.

Costs have been allocated based on records for costs chargeable to NSPI for NSPI business purposes. As well, for corporate support services cost allocation, only charges incurred on behalf of NSPI are charged to NSPI. No other Emera Executive compensation, benefits or expenses are allocated to NSPI's regulated business activities.

3.0 DESCRIPTION OF COMPENSATION, BENEFITS AND OTHER EXPENSES

This section describes each category in the attached table "Summary of NSPI's 2009 Executive Compensation, Benefits and Other Expenses" and represents the forms in which compensation, other personal benefits, and business related expenses are incurred. The table reflects only those costs allocated to NSPI for 2009.

Salary

This refers to base salary paid to the individual. It reflects the degree of special skills and knowledge required to successfully carry out the responsibilities of the role, as well as the market conditions for competitive positions in NSPI's labour market. This is separate from any incentive-based compensation. Base salaries are benchmarked against the median of the salaries paid to positions with similar responsibilities by comparator companies.

Annual Incentive Plan

This category reflects monetary compensation provided to individuals based on performance. Awards are made based on a scorecard process that rewards employees for advancing corporate objectives. Consistent with the UARB's directive, fifty percent of short-term incentive payments charged to NSPI is excluded for the purpose of calculating regulated earnings and in determining and setting rates. Target payouts under the plan are set as a percentage of salary and are benchmarked against the median for positions with similar responsibilities in comparator companies. The target level represents the amount that would be paid if all objectives were achieved at planned levels.

The Emera Board of Directors has also approved a Deferred Share Unit Plan (the "DSU Plan") for certain Executives and senior management. The DSU Plan is intended to facilitate achievement of share ownership guidelines without diluting the shareholder base. The DSU Plan allows each participant to elect to defer all or a percentage of the

annual incentive award in the form of DSUs, with the proviso that for participants who are subject to Executive Share Ownership Guidelines[3], a minimum of fifty percent of the value of their actual annual incentive (twenty-five percent in the Executive's first year of the program) will be payable in DSUs until the applicable guidelines are met. DSUs are held until an employee leaves the Company.

The Emera Board of Directors may from time to time grant discretionary DSUs to an eligible employee. The Emera Board of Directors shall specify the number of units and the conditions of vesting.

Long-Term Incentive Program

The elements of NSPI's actual compensation outlined are consistent with the elements allowed for in the rates as determined by the UARB.

Car Allowance

An allowance is paid to individuals in recognition of travel being a necessary part of the role. The amount per individual varies with each role.

Taxable Benefits

This includes company contributions to the employee share purchase plan, tax preparation, computer purchase interest free loan and parking.

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[3] To align the interest of senior management with the interests of shareholders, share ownership guidelines were introduced for designated Executive Officers in 2003. The guidelines, which must be achieved within five years, are as follows:

President and/or Chief Executive Officer:	2.0 times salary
Executive Vice President	1.5 times salary
Other Eligible Executives:	1.0 times salary

Employer Funded Benefits

This includes health, dental, life and accidental death and dismemberment insurance as well as pension and long-term disability insurance premiums.

Memberships

This includes professional and business memberships. Professional membership fees are paid in support of maintaining an individual's professional standing. Examples of professional membership fees paid for some individuals included the Institute of Chartered Accountants of Nova Scotia, the Nova Scotia Barristers' Society and the Association of Professional Engineers of Nova Scotia. In some cases, fees for a membership in other professional associations are paid as a matter of supporting employees in maintaining professional or technical expertise that is used to the benefit of the company. Memberships in various organizations also serve to build and enhance business relationships in the community that are supportive of attaining NSPI's business objectives.

The foregoing are the categories that cover executive compensation and benefits. The total cost is listed in the Summary of NSPI's 2009 Executive Compensation, Benefits and Other Expenses under the heading "Total Compensation and Benefits".

The following refers to other business expenses incurred with regard to the executive relating to business travel and meals and entertainment. These expenses are governed by the Business Expense Reimbursement policy (see Attachment C).

Amounts reported in these categories are only those expenses incurred on behalf of NSPI.

Travel

Business travel consists of travel to business meetings and conferences that relate to NSPI in particular or to our business in general. Examples of business meetings attended include meetings with bond rating agencies and industry analysts, as well as industry meetings, professional education and speaking engagements such as with the Canadian Electrical Association and the North American Electric Reliability Council. This expense is a necessary part of NSPI's business, which includes maintaining NSPI's standing in the investment community, helping to shape the development of the electricity industry in Canada and maintaining a high level of knowledge about current and best practices in the industry that relate to operating a generation, transmission and distribution utility.

Meals and Entertainment

These expenses are generally for meals and hospitality/entertainment associated with business meetings and conferences. The majority of meal related expense in this category is related to business travel. The cost of meals and hospitality for hosting third party business contacts that have an interest in our business are also included. This is a necessary part of fostering relationships with stakeholders.

Where an executive has chaired internal meetings that continued through employee meal hours; the cost of providing lunch or dinner to the entire employee group participating in such a meeting may be included in the amount attributed to individual Executive members.

Other Expenses

These expenses are associated with relocation of a personal residence as a result of a move from another employer to NSPI or a Company-initiated transfer to a new location or interest free housing loan taxable benefit

4.0 CONCLUSION

In hiring and retaining experienced and talented individuals to manage the company, NSPI seeks to ensure that the company is able to achieve its business objectives.

Compensation survey data is reviewed to ensure NSPI's total compensation package is competitive and the Company is able to attract and retain talented executives. NSPI, and the UARB, can rely upon the expert work and advice of Towers Watson in respect of executive compensation.

Incentive payouts are performance based and are intended to reward individuals for the achievement of predetermined levels of performance in support of corporate objectives. Corporate objectives focus on customer, employee, operational and financial aspects of the business that seek to ensure the company delivers on its commitments to customers and shareholders. Individuals are only compensated through incentives if they achieve their objectives.

Other benefits paid to Executive members, as part of total compensation, are designed to attract and retain key talent, in a competitive national market, thereby serving the interests of customers and shareholders.

Attachment A

Towers Watson 2010 Executive Compensation Review

THIS ATTACHMENT HAS BEEN REMOVED DUE TO CONFIDENTIALITY

Confidential - Summary of NSPI's 2009 Executive Compensation, Benefits and Other Expenses

Name	Job Title	2009 Salary (1)	Cash Incentive Payments (2)	DSU Election in Lieu Cash Incentive (3)	RSU (4)	Tax Payment/ Other Bonus (5)	Car Allowance and Mileage (6)	Stock Options Exercised (7)	Taxable Benefits (8)	Employer Funded Benefits (9)	Memberships (10)	Total Benefits (11)	Total Compensation and Benefits (12)	Travel (13)	Meals & Entertainment (14)	Other Expenses (15)	Total Expenses (16)	Allocation Factor for Salaries, Incentives & Benefits (17)	Total NSPI Allocation (18)
BENNETT, ROB	PRESIDENT & CEO, NSPI	$336,692	$28,257	$28,257	$ -	$0	$12,702	$ -	$8,527	$18,672	$1,500	$39,901	$434,606	$19,081	$4,791		$23,872	100%	**$458,478**
		$336,692	$28,257	$28,257	$ -	$0	$12,702	$ -	$8,527	$18,672	$1,500	$39,901	$434,606	$19,081	$4,791		$23,872		**$458,478**
Other NSPI																			
SUBTOTAL		$1,919,809	$294,506	$0	$ -	$0	$85,356	$ -	$19,411	$180,550	$28,136	$285,316	$2,527,767	$79,829	$12,967		$92,252		**$2,620,019**
Total		**$2,256,501**	**$322,763**	**$28,257**	$ -	**$0**	**$98,057**	$ -	**$27,938**	**$199,222**	**$29,636**	**$325,217**	**$2,962,373**	**$98,910**	**$17,758**		**$116,124**		**$3,078,497**

Column Notes:

1 As outlined in the text of this report, Executive salaries, benefits and incentives are allocated based on documented time-keeping records. Amounts shown reflect actual earnings for the period that have been allocated/charged directly to NSPI.
2 As per the 2002 Rate Decision, fifty percent of incentive payments charged in NSPI is excluded from regulated earnings. The amounts included in columns 2 and 3 are the total incentive payments for 2008 (paid in 2009 calendar year) reduced by 50% to reflect allocation to NSPI.
3 See above
4 RSUs have not been included in NSPI's revenue requirement and are excluded for the purpose of calculating regulated earnings
5
6 This amount is the NSPI allocated portion of car allowance and mileage paid
7 Stock options have not been included in NSPI's revenue requirement and are excluded for the purpose of calculating regulated earnings.
8 This includes company contributions to the employee share purchase plan, tax preparation, interest free loans and parking
9 Employer funded benefits include health, dental, group life insurance, AD&D insurance, pension and long-term disability insurance premiums
10 Includes professional memberships allocated to NSPI. Wellness memberships have been excluded as they are excluded from regulated earnings.
11 This includes the car allowance portion of column 6, Taxable benefits column 8 and Employer Funded Benefits column 9
12 Total Compensation and Benefits is the sum of Columns 1,2,3,4,5, 10 and 11
13
14
15
16 Total Expenses are a sum of columns 13, 14 and 15
17 This allocation factor is the % of salary and benefits allocated to NSPI
18 This is the total compensation amount which has been allocated to NSPI

FINANCIAL POLICIES AND PROCEDURES

Business Expense Reimbursement

Last Updated: January 12, 2009

This page is maintained by Emera's Controllers Department

POLICY

The Emera Group of Companies (Emera) will reimburse employees for all reasonable actual authorized expenses incurred while on Company business.

Where employees are governed by the provisions of a Collective Agreement, it will take precedence over this policy where applicable.

Throughout this document Emera is used to refer to Emera Inc. and all of its wholly-owned subsidiaries and investments.

EXPENSE REPORTS

EXPENSE REPORTS

01 Reimbursement Guidelines

Actual reasonable business expenses incurred on behalf of Emera are accounted for and reimbursed.

- Expense reports should be submitted for approval within a month of the related expenditure.
- Employees will be accountable for exercising good judgment in their business expenditures.
- Although guidelines are provided below, employees should check with their supervisor before traveling or incurring expenses to obtain an understanding of what expenses are deemed to be reasonable in the particular circumstances.

02 Approval Policy

Management is responsible for approval of all expense claims of their direct reports. Management is accountable for the validity and accuracy of expense claims they approve.

- It is the responsibility of the approver to ensure guidelines governing business expense reimbursement are followed.
- Approval of all expense reports is done electronically.
- The approver is the only person who verifies the accuracy of expense reports submitted to them. Approvers should review expense reports for the following items before approval:

  - Overall reasonableness and appropriateness
  - Ensure that account numbers used are correct
  - Ensure original receipts are attached
  - Ensure amounts claimed are accurate and consistent with receipts
  - Ensure total per paper copy agrees to computer total

- When charging expenses into another manager's cost centre, ensure that manager is aware of the charge and approves the allocation.
- The Invoice Express software will not accept expense reports greater than $10,000 (before tax). The approver's manager will receive notification (information only) if the expense report exceeds $4,000 (before tax).
- Approval of expense reports should be done by the expense report submitter's manager. If that person is not available, another authorized manager can approve the report.
- If an Administrative/Executive Assistant is incurring costs on behalf of his/her Manager/Executive member, that expense must be signed off by another Manager/Executive member, in addition to the regular Approver.
- In situations when an expense report is approved by an alternate manager, the hard copy should be forwarded to the direct manager for filing and storage.

03 Storage Policy

Expense reports and receipts should be retained for seven years in accordance with regulations of the Canada Revenue Agency. Of the seven years, only the two most recent need to be stored at your location.

- Storage of expense reports is the responsibility of each department's manager/head.
- Copies of expense reports and associated receipts should be stored in a locked cabinet and filed by employee within each year.
- Expense reports are considered the property of the department in which the expenses were incurred; therefore they should remain stored in that department regardless of staff changes.

- With on-line approvals, signatures are not required. However, it is the manager's responsibility to ensure that the on-line copy matches the file copy.

04 Reason for Expenditure Guideline

The Reason for Expenditure section should be completed. Items required include the reason for the expenditure, the location of the expenditure, and a list of individuals who incurred the expenditures.

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Receipts submitted for all expenses over $30 should disclose the actual amount of tax paid. For audit purposes, the Canada Revenue Agency requires this information and the supporting documentation.

- Credit card receipts do not provide sufficient detail to be submitted alone. The actual purchase receipt is required for **all** expenditures. In particular, restaurant receipts must include both the itemized restaurant receipt, in addition to the Visa/Mastercard receipt. Original receipts are required for all expenditures including:
    - Hotel accommodations – meals & entertainment and telephone expenses should be broken out and recorded in the proper account – please note that in-room hotel movies are NOT a claimable/allowable expense
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An employee who prefers to stay at the home of a relative or friend will be reimbursed for the actual amount that they pay their host for accommodation, up to a daily maximum of $30.00.

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When traveling, employees should use their good judgment and select the shortest and most direct routes. Employees must use the corporate travel agent when booking travel arrangements, including flights, car rentals and hotel to ensure that the Emera discounts are received.

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- Air travel should be arranged at the lowest, unrestricted economy class fare available.
- In circumstances where an individual is required to engage in an exceptional amount of travel or travel to less accessible locations, executive class fares and/or charter flights may be purchased on flights in excess of three hours, subject to the prior approval of the individual's Vice-President or, in the case of the Executive, the CEO. For audit purposes please attach to the expense report a copy of the request and approval authorizing the executive class fares and/or charter.
- Employees should take advantage of reduced fares, advance bookings and special rates where reasonable.
- Emera encourages weekend travel to take advantage of lower discount airfares. During this extended stay Emera will pay for reasonable and actual living expenses (meals and accommodations). If car rental is required for business purposes, this expense can be also be claimed for the extended stay. The discount airfare, plus the extended living expenses, must be less than regular economy class airfare.
- Employees will not be reimbursed for airline tickets purchased using frequent flyer miles.
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- Insurance offered by the auto rental company should be declined as the Emera corporate auto insurance covers necessary collision and comprehensive insurance. The auto rental company provides necessary third party liability.
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- Emera allows employees, who do not receive a vehicle allowance, to claim the following mileage amount for use of a private vehicle on company business.

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Note: These rates are subject to change and can be confirmed with the Fleet Manager.

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NOTE: This policy is currently under review and subject to change.

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- Where a spouse accompanies an employee on a business trip the payment or reimbursement by the employer of the spouse's traveling expenses is a taxable benefit to the employee unless the spouse was, in fact, engaged primarily in business activities on behalf of the employer during the trip. These expenses must be communicated to HR to ensure the taxable benefit is recorded.

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Always complete the Note section of the expense report – indicating the items being expensed on the report. For example, Expenses for May 2007 – lunch catering, courier, stationery, etc. or Expenses re: Trip to Toronto for ABC Conference – July 16 – 19, 2007.

Analysis of Executive Management Expenses

May 2, 2011

REDATED

NOVA SCOTIA POWER
An Emera Company

Table of Contents

Attachments

1.0 INTRODUCTION

This report informs the Nova Scotia Utility and Review Board (the "UARB") about Nova Scotia Power Inc ("NSPI") executive compensation and expenses for 2010.

As part of the decision in Nova Scotia Power's 2002 General Rate Case, the UARB directed:

> "… NSPI to provide on an annual basis, a detailed analysis showing executive management expenses, including compensation, expenses, memberships and other personal benefits including loans."

This is the ninth annual report filed consistent with the Board's direction. Details of compensation are provided including benefits and other expenses for the Executive Management Team allocated or direct charged to NSPI. For the purpose of this report, "executive" includes any member of the NSPI or Emera Inc. ("Emera") executive teams, any portion of whose compensation, benefits or other expenses are charged to NSPI.

In 2009, the UARB reviewed NSPI's executive compensation and received advice from an external consultant to the Board. Following a public review of the report and with input from NSPI and intervenors, the Board confirmed the appropriateness of NSPI's overall executive compensation expense, and directed annual reporting to continue[1]. NSPI was directed to further comment on the advice of the consultant, and did so in NSPI's 2008 report (filed April 30, 2009). Following a review of the 2008 report, the Board confirmed that current reporting standards are adequate, and that careful scrutiny of executive expenses by the UARB would continue on an annual basis[2].

Executive compensation for NSPI is determined by the Management Resources, Compensation, Environment, Safety and Security Committee (MRCESS Committee) of the NSPI Board of Directors. The MRCESS Committee members are Mrs. R. Irene

[1] 2008 NSUARB 140 (2009 General Rate Application Decision), at paragraphs 84-86
[2] UARB letter, June 10, 2009

D'Entremont, C.M. (Chair), Mr. Wesley G. Armour, and Mr. John T. McLennan. The NSPI Board of Directors reviews the recommendations of the MRCESS Committee and as part of its duties establishes compensation for NSPI senior management.

Emera has a separate Management Resources Compensation Committee (MRCC), consisting of Allan L. Edgeworth (Chair), Ms. Jackie Sheppard, Ms. Sylvia D. Chrominska and Mr. Don Pether. This committee approve the NSPI MRCESS and NSPI Board of Director's compensation recommendations as well as the compensation for Emera and NSPI Executives.

In developing the total compensation structure for the Executive, the MRCESS Committee considers advice from an independent consultant that makes comparisons to other companies and other positions, which reflect market competition for executive talent. As part of this review, base salary is generally designed to result in remuneration at, on average, the median (50^{th} percentile) of the comparator companies. Compensation is a critical success factor in recruiting and retaining effective senior management.

By correspondence dated October 10, 2006, the UARB directed that a specific comparator group be used. The most recent independent executive compensation review by Towers Watson (formerly Towers Perrin) has been provided confidentially with this report as Attachment A. This document, being the proprietary advice of an independent consultant, is confidential in its entirety; therefore no redacted version is provided.

2.0 Executive Compensation, Benefits and Other Expenses

A Summary of NSPI's 2010 Executive Compensation, Benefits and Other Expenses is provided as Attachment B. This attachment reports compensation, personal benefits and other corporate expenses attributed to the individuals covered by the Board directive, (i.e., all members of the NSPI or Emera Inc. executive management any portion of whose compensation, benefits or other expenses has been charged to NSPI). Individual specific information is provided for those executives whose compensation information is publicly reported under Canadian securities law and who have salaries, benefits or incentives allocated/charged directly to NSPI. For 2010, this includes Mr. Rob Bennett.

Compensation and other information for the remaining NSPI and Emera executive are provided in aggregate under the heading "Other, NSPI" in the public version of the Summary.

The UARB has been provided, in confidence, an expanded version of the Summary of the NSPI's 2010 Compensation, Benefits and Other Expenses separately listing the information for each of the individuals in the "Other, NSPI" group. For the year 2010 the executives who are included in this group are:

- Rick Janega, Executive VP and Chief Operating Officer
- Mark Savory, VP Technical and Construction Services
- Robin McAdam, Executive VP Sustainability
- Alan Richardson, VP Integrated Customer Service
- James Taylor, GM, Environmental Planning and Monitoring
- Rene Gallant, GM & Regulatory Counsel
- Brian Rendell, VP Finance
- Gerald Weseen, GM Communications & Public Affairs
- Barb Meens Thistle, GM Human Resources

- Rick Smith, VP Corporate Insurance and Assets (Emera & Nova Scotia Power)
- Stephen Aftanas, Corporate Secretary (Emera and Nova Scotia Power)

Most were NSPI executives for the full year of 2010 and were wholly charged to the regulated utility in that year. Please see Attachment B for details.

Costs have been allocated based on records for costs chargeable to NSPI for NSPI business purposes. As well, for corporate support services cost allocation, only charges incurred on behalf of NSPI are charged to NSPI. No other Emera Executive compensation, benefits or expenses are allocated to NSPI's regulated business activities.

4.0 DESCRIPTION OF COMPENSATION, BENEFITS AND OTHER EXPENSES

This section describes each category in the attached table "Summary of NSPI's 2010 Executive Compensation, Benefits and Other Expenses" and represents the forms in which compensation, other personal benefits, and business related expenses are incurred. The table reflects only those costs allocated to NSPI for 2010.

Salary

This refers to base salary paid to the individual. It reflects the degree of special skills and knowledge required to successfully carry out the responsibilities of the role, as well as the market conditions for competitive positions in NSPI's labour market. This is separate from any incentive-based compensation. Base salaries are benchmarked against the median of the salaries paid to positions with similar responsibilities by comparator companies.

Annual Incentive Plan

This category reflects monetary compensation provided to individuals based on performance. Awards are made based on a scorecard process that rewards employees for advancing corporate objectives. Consistent with the UARB's directive, fifty percent of short-term incentive payments charged to NSPI is excluded for the purpose of calculating regulated earnings and in determining and setting rates. Target payouts under the plan are set as a percentage of salary and are benchmarked against the median for positions with similar responsibilities in comparator companies. The target level represents the amount that would be paid if all objectives were achieved at planned levels.

The Emera Board of Directors has also approved a Deferred Share Unit Plan (the "DSU Plan") for certain Executives and senior management. The DSU Plan is intended to facilitate achievement of share ownership guidelines without diluting the shareholder base. The DSU Plan allows each participant to elect to defer all or a percentage of the

annual incentive award in the form of DSUs, with the proviso that for participants who are subject to Executive Share Ownership Guidelines[3], a minimum of fifty percent of the value of their actual annual incentive (twenty-five percent in the Executive's first year of the program) will be payable in DSUs until the applicable guidelines are met. DSUs are held until an employee leaves the Company.

The Emera Board of Directors may from time to time grant discretionary DSUs to an eligible employee. The Emera Board of Directors shall specify the number of units and the conditions of vesting. Discretionary DSUs are excluded from NSPI's revenue requirement and from regulated earnings.

Long-Term Incentive Program

The elements of NSPI's actual compensation outlined are consistent with the elements allowed for in the rates as determined by the UARB.

Car Allowance

An allowance is paid to individuals in recognition of travel being a necessary part of the role. The amount per individual varies with each role.

Taxable Benefits

This includes company contributions to the employee common share purchase plan, tax preparation, interest free loan and parking.

[3] To align the interest of senior management with the interests of shareholders, share ownership guidelines were introduced for designated Executive Officers in 2003. The guidelines, which must be achieved within five years, are as follows:

President and/or Chief Executive Officer:	2.0 times salary
Executive Vice President	1.5 times salary
Other Eligible Executives:	1.0 times salary

Employer Funded Benefits

This includes health, dental, life and accidental death and dismemberment insurance as well as pension and long-term disability insurance premiums.

Memberships

This includes professional and business memberships. Professional membership fees are paid in support of maintaining an individual's professional standing. Examples of professional membership fees paid for some individuals included the Institute of Chartered Accountants of Nova Scotia, the Nova Scotia Barristers' Society and the Association of Professional Engineers of Nova Scotia. In some cases, fees for a membership in other professional associations are paid as a matter of supporting employees in maintaining professional or technical expertise that is used to the benefit of the company. Memberships in various organizations also serve to build and enhance business relationships in the community that are supportive of attaining NSPI's business objectives. Wellness memberships have been excluded from NSPI's revenue requirement and from regulated earnings.

The foregoing are the categories that cover executive compensation and benefits. The total cost is listed in the Summary of NSPI's 2010 Executive Compensation, Benefits and Other Expenses under the heading "Total Compensation and Benefits".

The following refers to other business expenses incurred with regard to the executive relating to business travel and meals and entertainment. These expenses are governed by the Business Expense Reimbursement policy (see Attachment C).

Amounts reported in these categories are only those expenses incurred on behalf of NSPI.

Travel

Business travel consists of travel to business meetings and conferences that relate to NSPI in particular or to our business in general. Examples of business meetings attended include meetings with bond rating agencies and industry analysts, as well as industry meetings, employee meetings, professional education and speaking engagements such as with the Canadian Electrical Association and the North American Electric Reliability Council. This expense is a necessary part of NSPI's business, which includes maintaining NSPI's standing in the investment community, helping to shape the development of the electricity industry in Canada and maintaining a high level of knowledge about current and best practices in the industry that relate to operating a generation, transmission and distribution utility.

Meals and Entertainment

These expenses are generally for meals and hospitality/entertainment associated with business meetings and conferences. The majority of meal related expense in this category is related to business travel. The cost of meals and hospitality for hosting third party business contacts that have an interest in our business are also included. This is a necessary part of fostering relationships with stakeholders.

Where an executive has chaired internal meetings that continued through employee meal hours; the cost of providing lunch or dinner to the entire employee group participating in such a meeting may be included in the amount attributed to individual Executive members.

5.0 CONCLUSION

In hiring and retaining experienced and talented individuals to manage the company, NSPI seeks to ensure that the company is able to achieve its business objectives.

Compensation survey data is reviewed to ensure NSPI's total compensation package is competitive and the Company is able to attract and retain talented executives. NSPI, and the UARB, can rely upon the expert work and advice of Towers Watson in respect of executive compensation.

Incentive payouts are performance based and are intended to reward individuals for the achievement of predetermined levels of performance in support of corporate objectives. Corporate objectives focus on customer, employee, operational and financial aspects of the business that seek to ensure the company delivers on its commitments to customers and shareholders. Individuals are only compensated through incentives if they achieve their objectives.

Other benefits paid to Executive members, as part of total compensation, are designed to attract and retain key talent, in a competitive national market, thereby serving the interests of customers and shareholders.

Attachment A

Towers Watson 2010 Executive Compensation Review

THIS ATTACHMENT HAS BEEN REMOVED DUE TO CONFIDENTIALITY

Confidential - Summary of NSPI's 2009 Executive Compensation, Benefits and Other Expenses

Name	Job Title	2009 Salary (1)	Cash Incentive Payments (2)	DSU Election in Lieu Cash Incentive (3)	RSU (4)	Tax Payment/ Other Bonus (5)	Car Allowance and Mileage (6)	Stock Options Exercised (7)	Taxable Benefits (8)	Employer Funded Benefits (9)	Memberships (10)	Total Benefits (11)	Total Compensation and Benefits (12)	Travel (13)	Meals & Entertainment (14)	Other Expenses (15)	Total Expenses (16)	Allocation Factor for Salaries, Incentives & Benefits (17)	Total NSPI Allocation (18)
BENNETT, ROB	PRESIDENT & CEO, NSPI	$336,692	$28,257	$28,257	$ -	$0	$12,702	$ -	$8,527	$18,672	$1,500	$39,901	$434,606	$19,081	$4,791		$23,872	100%	**$458,478**
		$336,692	$28,257	$28,257	$ -	$0	$12,702	$ -	$8,527	$18,672	$1,500	$39,901	$434,606	$19,081	$4,791		$23,872		**$458,478**
Other NSPI																			
SUBTOTAL		$1,919,809	$294,506	$0	$ -	$0	$85,356	$ -	$19,411	$180,550	$28,136	$285,316	$2,527,767	$79,829	$12,967		$92,252		**$2,620,019**
Total		**$2,256,501**	**$322,763**	**$28,257**	$ -	**$0**	**$98,057**	$ -	**$27,938**	**$199,222**	**$29,636**	**$325,217**	**$2,962,373**	**$98,910**	**$17,758**		**$116,124**		**$3,078,497**

Column Notes:

1 As outlined in the text of this report, Executive salaries, benefits and incentives are allocated based on documented time-keeping records. Amounts shown reflect actual earnings for the period that have been allocated/charged directly to NSPI.
2 As per the 2002 Rate Decision, fifty percent of incentive payments charged in NSPI is excluded from regulated earnings. The amounts included in columns 2 and 3 are the total incentive payments for 2008 (paid in 2009 calendar year) reduced by 50% to reflect allocation to NSPI.
3 See above
4 RSUs have not been included in NSPI's revenue requirement and are excluded for the purpose of calculating regulated earnings
5
6 This amount is the NSPI allocated portion of car allowance and mileage paid
7 Stock options have not been included in NSPI's revenue requirement and are excluded for the purpose of calculating regulated earnings.
8 This includes company contributions to the employee share purchase plan, tax preparation, interest free loans and parking
9 Employer funded benefits include health, dental, group life insurance, AD&D insurance, pension and long-term disability insurance premiums
10 Includes professional memberships allocated to NSPI. Wellness memberships have been excluded as they are excluded from regulated earnings.
11 This includes the car allowance portion of column 6, Taxable benefits column 8 and Employer Funded Benefits column 9
12 Total Compensation and Benefits is the sum of Columns 1,2,3,4,5, 10 and 11
13
14
15
16 Total Expenses are a sum of columns 13, 14 and 15
17 This allocation factor is the % of salary and benefits allocated to NSPI
18 This is the total compensation amount which has been allocated to NSPI

FINANCIAL POLICIES AND PROCEDURES

Business Expense Reimbursement

Last Updated: January 12, 2009

This page is maintained by Emera's Controllers Department

POLICY

The Emera Group of Companies (Emera) will reimburse employees for all reasonable actual authorized expenses incurred while on Company business.

Where employees are governed by the provisions of a Collective Agreement, it will take precedence over this policy where applicable.

Throughout this document Emera is used to refer to Emera Inc. and all of its wholly-owned subsidiaries and investments.

EXPENSE REPORTS

EXPENSE REPORTS

01 Reimbursement Guidelines

Actual reasonable business expenses incurred on behalf of Emera are accounted for and reimbursed.

- Expense reports should be submitted for approval within a month of the related expenditure.
- Employees will be accountable for exercising good judgment in their business expenditures.
- Although guidelines are provided below, employees should check with their supervisor before traveling or incurring expenses to obtain an understanding of what expenses are deemed to be reasonable in the particular circumstances.

02 Approval Policy

Management is responsible for approval of all expense claims of their direct reports. Management is accountable for the validity and accuracy of expense claims they approve.

- It is the responsibility of the approver to ensure guidelines governing business expense reimbursement are followed.
- Approval of all expense reports is done electronically.
- The approver is the only person who verifies the accuracy of expense reports submitted to them. Approvers should review expense reports for the following items before approval:

    - Overall reasonableness and appropriateness
    - Ensure that account numbers used are correct
    - Ensure original receipts are attached
    - Ensure amounts claimed are accurate and consistent with receipts
    - Ensure total per paper copy agrees to computer total

- When charging expenses into another manager's cost centre, ensure that manager is aware of the charge and approves the allocation.
- The Invoice Express software will not accept expense reports greater than $10,000 (before tax). The approver's manager will receive notification (information only) if the expense report exceeds $4,000 (before tax).
- Approval of expense reports should be done by the expense report submitter's manager. If that person is not available, another authorized manager can approve the report.
- If an Administrative/Executive Assistant is incurring costs on behalf of his/her Manager/Executive member, that expense must be signed off by another Manager/Executive member, in addition to the regular Approver.
- In situations when an expense report is approved by an alternate manager, the hard copy should be forwarded to the direct manager for filing and storage.

03 Storage Policy

Expense reports and receipts should be retained for seven years in accordance with regulations of the Canada Revenue Agency. Of the seven years, only the two most recent need to be stored at your location.

- Storage of expense reports is the responsibility of each department's manager/head.
- Copies of expense reports and associated receipts should be stored in a locked cabinet and filed by employee within each year.
- Expense reports are considered the property of the department in which the expenses were incurred; therefore they should remain stored in that department regardless of staff changes.

- With on-line approvals, signatures are not required. However, it is the manager's responsibility to ensure that the on-line copy matches the file copy.

04 Reason for Expenditure Guideline

The Reason for Expenditure section should be completed. Items required include the reason for the expenditure, the location of the expenditure, and a list of individuals who incurred the expenditures.

05 Receipts Policy

Receipts submitted for all expenses over $30 should disclose the actual amount of tax paid. For audit purposes, the Canada Revenue Agency requires this information and the supporting documentation.

- Credit card receipts do not provide sufficient detail to be submitted alone. The actual purchase receipt is required for **all** expenditures. In particular, restaurant receipts must include both the itemized restaurant receipt, in addition to the Visa/Mastercard receipt. Original receipts are required for all expenditures including:
    - Hotel accommodations – meals & entertainment and telephone expenses should be broken out and recorded in the proper account – please note that in-room hotel movies are NOT a claimable/allowable expense
    - Meals & entertainment
    - Car rentals
    - Airfare
    - Parking
    - Transportation

Expenses submitted without a receipt must be reasonable and explainable. Receipts are not required for expenses such as mileage claims and claims for incidental expenses such as baggage handling, newspapers, laundry, etc.

If a receipt is misplaced or lost please include a copy of the pro-card/visa statement, highlighting the particular item that is being claimed.

06 Meals & Entertainment Policy

All meals and entertainment expenses should be recorded in the designated general ledger account in each company in the Emera group for income tax reporting. The Canada Revenue Agency allows only 50% of business meals and entertainment to be deducted for tax purposes. Therefore, it is important that other costs, which are fully tax deductible, not be charged to these accounts.

Entertainment/Hospitality

Some employees, because of the nature of their work, have contact with business associates outside of Emera, where it is necessary, on occasion, to provide hospitality. Actual and reasonable expenses may be included in the expense report for reimbursement. Employees should discuss what is reasonable in the circumstances with their manager before incurring the expense.

Detail on meal and entertainment claims must include the location, the attendees by name and the company name of any external attendees – i.e., Lunch at Sweet Basil – John Smith, Jane Jones and Bill Johnson, ABC Company.

- The Canada Revenue Agency considers the following expenses to be meals and entertainment:
    - employee meals while out of the office
    - cost of lunches catered for a departmental meeting
    - employee recognition lunches

- retirem ent functions
- long-service award functions
- the cost of entertaining clients and customers

- The Canada Revenue Agency does not consider the following expenses to be meals and entertainment. Therefore, they should not be charged to the designated general ledger account:
  - expenses relating to a fundraising event, the primary purpose of which is to benefit a registered charity.
  - costs billed directly to a customer and specifically identified as such costs.

Gratuities

It is normal business practice to tip 10% to 15% for good service. Employees should claim reasonable gratuities for services provided.

07 Incidental Expense Allowance Guideline

When employees are traveling away from their workplace and are required to stay overnight, reasonable incidental expenses such as baggage handling, newspapers, laundry, etc., can be claimed.

Claims for incidentals must be limited to $10.00 per day and incidental items should not be claimed separately, i.e., you should not claim $10.00 a day for incidentals and also claim a newspaper purchase for the same day. The intent is for incidentals to cover miscellaneous purchases such as newspapers, coffee, water, etc. For those employees who are traveling to countries where incidental expenses may exceed the $10.00 a day allotment, you must clear any additional expenditure with your supervisor prior to travel. For audit purposes please attach to the expense report a copy of the e-mail request authorizing the additional amount in excess of $10.00 per day.

08 Private Accommodations Guideline

An employee who prefers to stay at the home of a relative or friend will be reimbursed for the actual amount that they pay their host for accommodation, up to a daily maximum of $30.00.

09 Travel Arrangements Policy

When traveling, employees should use their good judgment and select the shortest and most direct routes. Employees must use the corporate travel agent when booking travel arrangements, including flights, car rentals and hotel to ensure that the Emera discounts are received.

Air Travel

- Air travel should be arranged at the lowest, unrestricted economy class fare available.
- In circumstances where an individual is required to engage in an exceptional amount of travel or travel to less accessible locations, executive class fares and/or charter flights may be purchased on flights in excess of three hours, subject to the prior approval of the individual's Vice-President or, in the case of the Executive, the CEO. For audit purposes please attach to the expense report a copy of the request and approval authorizing the executive class fares and/or charter.
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Always complete the Note section of the expense report – indicating the items being expensed on the report. For example, Expenses for May 2007 – lunch catering, courier, stationery, etc. or Expenses re: Trip to Toronto for ABC Conference – July 16 – 19, 2007.

title: Salary Administration	Date issued: 1995 03 31	Policy No.. HR07
NOVA SCOTIA POWER An Emera Company Policy & Guidelines	Revision Date: 2005 04 01	
	Source: Human Resources	

Emera Inc.'s salary administration policy helps to attract and retain competent employees and rewards improved productivity.

Emera's defined competitive market position objective is to target base pay at the median paid to positions with similar responsibilities in Atlantic Canada (and, in some cases, the Canadian market).

All non-union positions are rated using the Hay Guide Chart Profile Method of job evaluation. Each job has a salary range associated with it. Each salary range consists of a range minimum (85%) and a range maximum (100%). The establishment of salary ranges ensures fairness and equity between positions within the company. All employees will be paid within the salary ranges established for their position. Ongoing participation in national and local compensation surveys ensures that these salary ranges remain externally competitive with those in comparable organizations.

Data collected from the compensation surveys is analyzed and the company's salary/wages are reviewed annually to determine if adjustments are necessary to maintain the company's competitive market position.

Annual salary increases implies continued satisfactory performance. Managers or Supervisors must conduct performance appraisals as supporting documentation for annual salary increases. Any general adjustments that are required are made annually, at the beginning of the calendar year.

The only exception to the annual salary review is in the case of significant changes in job responsibility. Please refer to the job evaluation policy for further information.

Procedure

New Hires: New employees will normally be hired at the minimum of the salary range (85%), however, new employees may be hired at a rate greater than the minimum in consideration of such factors as advanced or specialized education or training, level of experience, or possession of highly developed technical skills. New hire rates above the minimum must receive the approval of the Compensation Consultant and the related Senior Manager.

Union Positions: Wages rates for unionized positions will be established during negotiations and set forth in the respective collective agreements for the duration of the agreements.

Transfers: Nova Scotia Power encourages employees to apply for opportunities within the Company. If an employee transfers to a new position with the same job evaluation points, his/her salary will remain the same.

An employee transferring to a position with different job evaluation points will be placed in the new salary range. The employee will be placed at the minimum (85%) if his/her salary is less than the minimum.

Progression through the salary range is based on the implied additional value of increased job specific knowledge and skills. If the employee's salary is above the minimum of the new position, consideration will be given to the value of the employee's Company experience, transferable skills, knowledge and internal equity. Based on this, the new Manager, in consultation with the Compensation Consultant, will make a recommendation to the related Senior Manager for placement within the salary range.

Promotions: Any increase resulting from a promotion will be based on an assessment of the employee's qualifications and experience in relation to the duties and responsibilities of the position and will require approval of the related Senior Manager and the Compensation Consultant.

Acting Pay: an employee who assumes the responsibilities of a position in a higher salary range (which is not normally required or expected in the employee's regular position) may be eligible for acting pay. Salary adjustments are determined using the following guidelines:

- The increase is a maximum of 10%, or the required increase to bring the salary to the minimum (85%) of the "acting" position salary range.
- In no case shall the salary exceed the range maximum of the "acting" position.
- The "acting" position will be reviewed as part of the annual salary review process and any required salary adjustments will be made.
- Upon re-assignment to their regular position, the employee shall receive the pay rate they would have received had the "acting" status not occurred.

Red Circling: this occurs when an employee's salary exceeds the range maximum of their position. Steps will be taken to eliminate this situation as soon as possible. These may include:

- Reduction or no salary increases during the annual salary review;
- Reduction to range maximum of the position over a specified period of time.

Appropriate steps will be determined jointly by the employing Manager, Human Resources and the Compensation Consultant.

Emera's discretion to change Policy

Emera reserves the right at its sole discretion to change this Policy at any time.

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Request IR-14:

Reference: At Exhibit N-1(i) Appendix C Pages 3 and 4 of 49, NSPI quantifies the cost of executive management labour as ($000): 1,153 for 2009, 468 for 2010 [redacted] and 539 for 2012. NSPI gives the reason for the reduction from 2009 to 2012 as "Labour decrease due to reduction of FTE's resulting from succession planning".

(a) **Please specify whether the number of positions in the executive management team was reduced between 2009 and 2010, and if so, what positions were eliminated. If responsibilities were re-assigned to other organizational groups, please explain and indicate whether this contributed to increases in costs in another group or groups.**

(b) [redacted].

(c) **For each of years 2009 and 2010, please provide the total amounts of executive incentives paid, and the amount of such incentives charged to NSPI. For 2011 and 2012, please provide the forecasts of these amounts. Please confirm that the forecast amount of executive incentives charged to NSPI is included in the figures $[redacted] and $539,000 for 2012. If they are not included in these figures, please indicate where they are included in NSPI's proposed revenue requirement.**

(d) **Please describe any changes that have been made to the structure of NSPI executive incentives, and/or to the manner in which executive incentives are allocated to NSPI since 2008.**

Response IR-14:

(a) The number of positions in the Executive Management group reduced from five to two between 2009 Compliance and 2010. In 2009 Compliance, the department contained the

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CEO, VP Sustainability, VP Regulatory Affairs and two Executive Assistants. In 2010, the department contained the CEO and one Executive Assistant.

The position of VP Sustainability was re-assigned to the Sustainability Group in 2010. The VP Regulatory Affairs position was removed after the loss of the incumbent, Jim Connors, Q.C. One Executive Assistant remained in Executive Management and the other Executive Assistant was transferred to the Facilities and Procurement Department.

(b) The 2011 forecast was prepared based on a 2010 forecast that reflected labour costs adjustments that were subsequently transferred and not included in the 2010 actual results as presented in Appendix C.

(c) NSPI does not forecast individual employee incentives. Incentives are forecasted as one amount for the entire eligible labour pool. Please refer to NSDOE IR-13, Liberty 130 and Liberty IR-191 for further information on NSPI's incentive compensation program.

Executive incentives are not included in the Executive Management labour cost on 2012 GRA DE-03 – DE-04 Appendix C Page 3 of 49. The 50 percent regulated portion of incentives would be reflected in Total Labour of NSPI's Corporate Adjustments on 2012 GRA DE-03 – DE-04 Appendix C Page 48 of 49.

(d) There have been no changes made to the structure of NSPI executive incentives or to the manner in which executive incentives are allocated to NSPI since 2008.

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Request IR-15:

Reference: Return on Equity: Compensation for the Equity Investor

Does NSPI have any equity investors other than Emera Inc.?

Response IR-15:

Yes, Preferred Shareholders.

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Request IR-16:

Reference: Exhibit N-1(i), Appendix F Page 5 of 212 "The lower end of the range represents the minimum required to notionally allow the utilities to maintain the market value of their investment at a small premium to book value."

Has Ms. McShane estimated the ratio of market value to net book value of NSPI's investment? If so, please provide the estimate.

Response IR-16:

No. The shares of NSPI are not publicly traded. Consequently, the market to book value of NSPI is not observable. As indicated in the Application, DE-03 – DE-04, Appendix F, page 90 of 212, the "bare-bones" cost of equity that is derived from capital market based tests represents the return that, if applied to book value, would in principle equate the market value of the equity to book value. A financing flexibility adjustment of 50 basis points in turn is required to provide the opportunity for the utility to maintain a market to book ratio slightly in excess of book value. Please also refer to Appendix D of Ms. McShane's evidence for further discussion of the financing flexibility adjustment.

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Request IR-17:

Reference: Exhibit N-1(i), Appendix F Page 38 of 212 "First, competitive conditions may forestall higher return rewards when the risk materializes."

Given that utilities are generally monopolies in their regulated service territories, please explain the quoted statement.

Response IR-17:

Utilities may have a monopoly for delivery of a specific form of energy, but they compete with other forms of energy. Electric utilities, for example, compete with oil and natural gas for a portion of their load. If the delivered price of a utility service is not competitive with alternatives, the utility may be unable to earn a compensatory return on the invested capital.

Request IR-18:

Reference: Exhibit N-1(i), Appendix F Page 48 of 212, "NSPI's renewable energy resource requirements arising from the Renewable Energy Standard Regulation."

Please clarify why this factor is seen as a source of increased risk for NSPI, and indicate the relative significance of the risk.

Response IR-18:

The summary statement within the Application, DE-03 – DE-04, Appendix F, page 48 of 212 draws on the earlier discussion of electricity supply on pages 41 to 43 of 212 of Ms. McShane's evidence. Roughly, 80 percent of the power currently delivered by NSPI is fossil fuel based, the remainder is currently produced from renewable resources. Under the Renewable Energy Standard Regulation (RES), at least 25 percent of the province's electricity needs would be required to come from renewable resources by 2015, and on June 27, 2011, the Government of Nova Scotia publicly released its intention to require 40 percent by 2020. This is equivalent to an additional 600 to 750 GWh of renewable energy projects over the period to 2015. As stated at page 42 of 212, non-compliance with the standards set under the Renewable Energy Standard Regulations can result in penalties of up to $500,000 per day.

Further, as stated at page 43 of 212, lines 1134 to 1136, the UARB has recognized the "significant challenge" for NSPI of complying with and meeting the objectives of the Renewable Energy Standards. Specifically, the findings of the UARB in NSUARB-P-128.10 (Nova Scotia Utility and Review Board, *In the Matter of an Application by Nova Scotia Power Incorporated for approval of capital work order CI# 39029, Port Hawkesbury Biomass Project, at a cost of $208.6 million*, October 14, 2010) stated at paragraph 108:

> The RES is a significant challenge for NSPI. The 2013 RES requires approximately 500 GWh of new renewable energy. Between existing and contracted projects NSPI will have

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> approximately 275 MW of wind on the bulk power system by the end of 2010. In 2015 NSPI must increase its portion of energy sales from renewable energy to twenty-five percent (250/0). This will require 600 to 750 GWh of additional renewable energy projects. If by 2015 all renewable energy were to come from wind, NSPI advises this would require between 650 and 750 MW of wind on a 2300 MW system, approximately one-third.

DBRS has also identified environmental risks associated with meeting both provincial and federal standards as a challenge for NSPI (DBRS, *Rating Report: Nova Scotia Power Inc*., November 26, 2010).

Ms. McShane considers NSPIs inter-related environmental risks associated with its significant reliance on fossil fuel generation, the requirements under the Renewable Energy Standard Regulations, and the requirements to reduce GHGs and other pollutants as material.

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Request IR-19:

Reference: Exhibit N-1(i), Appendix F, Pages 46 and 47 of 212, Relative Business Risks of NSPI and Financial Risk

Please specify which of the identified risks has increased since the current capital structure and rate of return on equity were approved for NSPI by the UARB. Please specify which if any risks have decreased since that time.

Response IR-19:

The referenced citation discusses the business risks of NSPI relative to those faced by the only other investor-owned vertically integrated electric utility in Canada (FortisBC). The last time NSPI's allowed ROE and capital structure were established by the UARB in the context of a litigated proceeding was in Decision NSUARB-NSPI-P-882, issued on March 10, 2006, setting rates for 2006. Since that time, the UARB adopted the FAM for NSPI, which has reduced NSPI's risk on only this specific dimension, relative to that of FortisBC. All of the risks associated with NSPI's operation of fossil fuel generating plants (competitive and environmental) as listed in points 2 to 5 at page 48 of 212 are higher relative to those faced by FortisBC than they were at the time of the 2006 rates proceeding. Ms. McShane is not aware of any other material changes in the relative risks of NSPI and FortisBC since NSPI's 2006 rates proceeding.

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Request IR-20:

Reference: Exhibit N-1(i), page 54 0f 161

What is the "Work Management System"?

Response IR-20:

In 2011, NSPI completed a capital project (approved Capital Work Order # 28413) to install new technology to replace a number of obsolete work management related systems. The systems replaced included:

- Work Management System (WMS) which was used to manage transmission and distribution work.

- Wiring Permit and Inspection (WPI) system, which was used to manage wiring permits and inspection work.

- Computer-aided Dispatch and Scheduling (CDS) system, which provided work scheduling and dispatch functions for certain customer requested work

- Field Planning System (FPS), a graphical based distribution design/planning tool

- JD Edwards World Software (JDE), which provided materials management and some procurement functionality.

Further detail about the Work Management System is available in the Capital Work Order Filing, CI# 28413, approved by the UARB on February 27, 2009.

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Request IR-21:

Reference: Exhibit N-1(i) Appendix G Page 10 of 37: "NSPI proposes that an LED conversion charge be introduced to ensure the recovery of capital costs associated with early retired non-LED fixtures, due to the mandated LED deployment. The charge would apply to full service streetlight customers at the time of their conversion to LED streetlights, regardless of whether the customer would choose to continue to purchase full services from NSPI after the conversion. NSPI is proposing that Streetlight customers have a choice of a lump sum payment or a levelized monthly conversion fee, applicable over a five-year period. The LED Conversion fee revenue is proposed to be treated as a Below-the-Line category."

(a) **Will streetlighting customers who choose to terminate full services from NSPI after conversion have the option of the levelized conversion payments for five years?**

(b) **Are the net capital costs of non-LED fixtures now included in NSPI's rate base? If so, please demonstrate how and when those costs are proposed to be removed from NSPI's rate base.**

Response IR-21:

(a) Yes.

(b) Yes. Please refer to HRM IR-43(b) for how and when those costs are proposed to be removed from NSPI's rate base.

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Request IR-22:

Reference: Exhibit N-1(i) Appendix G Page 10 of 37: "While fixture maintenance costs associated with LED streetlights may occur in the future, this component of the rate has not been set for 2012 pricing purposes."

How confident is NSPI that no maintenance costs will be incurred in 2012 in connection with LED streetlights? If such cost is incurred, how will it be recovered?

Response IR-22:

NSPI's best estimate at the time of filing is that maintenance costs associated with new LED streetlights in 2012 will be minimal, if any. This issue will be studied in greater detail as part of the streetlight RFP in preparation for the capital work order application.

If such cost is incurred associated with the streetlights deployed in 2012, it is not reflected in the proposed rates and would therefore not be recovered in 2012.

Please refer to HRM IR-8.

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Request IR-23:

Reference: Exhibit N-1(i) Appendix G Page 14 of 37 "As per the Depreciation settlement, the depreciation rate used for 2012 is 5.33%", and Appendix G Page 23 of 37, Schedule 4, column headed "Depreciation Expense".

Please clarify why the figures in the Depreciation Expense column of Schedule 4 appear to be 7.7% of the figures in the preceding column for both LED and non-LED lights, despite the fact that Appendix G Page 25 of 37, Table 5A indicates that a gross-up for tax of 31% applies to LED lights only.

Response IR-23:

Please refer to Multeese IR-13.

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Request IR-24:

Reference: Exhibit N-1(i) Appendix G Page 23 of 37, Schedule 4

Please clarify the derivation of the correction factors of 0.4875 and 1.0003.

Response IR-24:

Please refer to Multeese IR-11.

Request IR-25:

Reference: Exhibit N-1(i) Appendix G Page 23 of 37, Schedule 4 – CCA Benefit, and Page 31 of 37, Schedule 9.

Please explain why the CCA Benefit in each row related to LED figures is $18.97 even though the capital is different in each row. Please relate this to the total CCA computation in Schedule 9 (page 31 of 37).

Response IR-25:

The unit CCA benefit was calculated by multiplying the total benefit of $0.22 million by the relative share of fixture count. This amount was then divided by the individual fixture type count.

Per Unit CCA Benefit = Total CCA Benefit x Relative Share ÷ # of Units

A	Total CCA Benefit		$219,232	
	B	**C**	**D**	**E**
Formula		**B / B11**	**A x C**	**D / B**
	# of Fixtures	**Relative Share**	**CCA Benefit by Fixture**	**Unit CCA Benefit**
Sat-48	5,205	45.0%	$98,726	$18.97
Sat-72	4,489	38.8%	$85,136	$18.97
Sat-96	1,865	16.1%	$35,371	$18.97
Total	11,559	100.0%	$219,232	

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Request IR-26:

Reference: Exhibit N-1(i) Appendix G Page 10 of 37 and Appendix G Schedule 11:

> **NSPI does not propose any changes to the structure of the lighting and miscellaneous small load rates. Any changes to the unmetered electric service rates are attributable solely to the changes in revenue responsibilities of the LED streetlight service category.**

The rate comparisons in Schedule 11 for "power and energy" only service, and the unit rate computation on the last page of Schedule 11 appear to indicate an increase of approximately 20% in the power and energy component of service. Please explain how the requirement for a 20% increase in this component is computed.

Response IR-26:

The 20 percent increase in electric service revenues of $12.2 million, as priced at the current rates, sets these revenues at cost of service of $14.7 million, as determined in COSS. The increase represents combined effects of the proposed alignment of unmetered service revenues with costs and the proposed allocation of revenue requirement increase to the Unmetered Class in COSS.

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	Electric Service Revenue ($ M)		**Change from the Electric Service Revenue at present Rates (%)**
2012 Electric Service Revenue at present rates			
2009 Compliance Filing[1]	12.1		
Plus 2011 BCF increase	0.1		
	12.2	12.2	
Increase in Revenue due to proposed change in methodology using 2009 Compliance Filing data[2]			
Costs as determined in COSS	14.8		
Less: Revenues	12.1		
Increase	2.7	2.7	22%
GRA 2012 Effect			
Costs as per COSS from 2009 Compliance Filing	14.8		
Plus: 2011 BCF effect	0.1		
Less: GRA 2012 cost	14.7		
Decrease	(0.3)	(0.3)	-2%
Required Increase in Electric Service Revenue		2.4	20%

[1] The load change effect between 2009 Compliance Filling and 2012 GRA is insignificant.
[2] Please see the last table ("Revenues and Costs of Unmetered Class Services Compared") in the response to Multeese IR-2(b).

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Request IR-27:

Reference: Exhibit N-1(i) Appendix G Page 36 of 37

What accounts for the proposed increase of nearly 50% in rates for light emitting diode traffic lights?

Response IR-27:

The proposed increases for LED Traffic lights under rate codes 530 and 531 of 49.1 percent and 48.7 percent are incorrect. The correct increases should be 20.8 percent and 20.4 percent respectively. NSPI is prepared to make the appropriate amendments to Appendix G to address this item.

These adjustments will not have any effect on other rate classes and their impact on other unmetered rates will be limited because LED traffic lights represent a small portion of the energy consumed by the Unmetered class.