NON-CONFIDENTIAL

Request IR-12:

Please provide a copy of all Journal Entries made on NSPI's books as a result of the conversion to US GAAP.

Response IR-12:

Please refer to Note 16 in Attachment 1, beginning at page 26 of 45.

NOVA SCOTIA POWER INC.

Unaudited Condensed Financial Statements

March 31, 2011 and 2010

Nova Scotia Power Inc.
Statements of Income (Unaudited)

For the millions of Canadian dollars	Three months ended March 31 **2011**	 2010 (as adjusted – note 16)
Operating revenues	**$371.2**	$342.8
Operating expenses		
Fuel for generation and purchased power	**168.9**	179.6
Fuel for generation and purchased power – affiliates (note 15)	**2.1**	1.6
Fuel adjustment (note 2)	**(5.8)**	(39.4)
Operating, maintenance and general	**65.5**	54.9
Provincial grants and taxes	**9.6**	10.0
Depreciation and amortization	**42.6**	41.1
Total operating expenses	**282.9**	247.8
Income from operations	**88.3**	95.0
Other expenses, net (note 3)	**2.2**	3.6
Interest expense, net (note 4)	**26.9**	26.1
Income before provision for income taxes	**59.2**	65.3
Income tax recovery (note 5)	**(6.4)**	(1.9)
Net income of Nova Scotia Power Inc.	**65.6**	67.2
Dividends on preferred stock	**2.0**	2.0
Net income attributable to common shareholders	**$63.6**	$65.2

The accompanying notes are an integral part of these condensed financial statements.

Nova Scotia Power Inc.
Balance Sheets (Unaudited)

As at millions of Canadian dollars	March 31 2011	December 31 2010 (as adjusted – note 16)
Assets		
Current assets		
Cash	**$0.3**	$0.3
Receivables, net (note 6)	**240.7**	192.5
Income taxes receivable	**44.1**	34.3
Inventory (note 7)	**129.2**	154.2
Derivative instruments (note 13)	**29.5**	31.0
Regulatory assets	**76.5**	71.8
Prepaid expenses	**19.1**	6.0
Other current assets	**1.7**	1.8
Total current assets	**541.1**	491.9
Property, plant and equipment, net of accumulated depreciation of $2,194.2 and $2,153.1, respectively	**2,964.1**	2,949.5
Other assets		
Deferred income taxes	**-**	16.8
Derivative instruments (note 13)	**28.4**	28.9
Regulatory assets	**247.9**	232.5
Other	**87.5**	88.2
Total other assets	**363.8**	366.4
Total assets	**$3,869.0**	$3,807.8

The accompanying notes are an integral part of these condensed financial statements.

Nova Scotia Power Inc.
Balance Sheets (Unaudited) – Continued

As at millions of Canadian dollars	**March 31 2011**	December 31 2010 (as adjusted – note 16)
Liabilities and Equity		
Current liabilities		
Short-term debt	**$89.7**	$48.3
Current portion of long-term debt	**0.1**	0.1
Accounts payable	**113.2**	157.9
Due to associated companies (note 15)	**3.0**	6.2
Deferred income taxes	**4.3**	3.4
Derivative instruments (note 13)	**15.5**	23.0
Pension and post-retirement liabilities	**8.2**	8.2
Regulatory liabilities	**50.2**	52.4
Other current liabilities (note 8)	**78.0**	67.2
Total current liabilities	**362.2**	366.7
Long-term liabilities		
Long-term debt	**1,894.5**	1,952.2
Deferred income taxes	**31.8**	-
Derivative instruments (note 13)	**20.2**	11.2
Pension and post-retirement liabilities	**309.2**	314.7
Regulatory liabilities	**28.5**	61.7
Asset retirement obligations	**140.2**	138.7
Other long-term liabilities	**6.1**	5.6
Total long-term liabilities	**2,430.5**	2,484.1
Commitments and contingencies (note 10)		
Redeemable preferred stock	**132.2**	132.2
Equity		
Common stock, no par value, unlimited authorized shares, 117.2 million and 2010 - 112.2 million shares issued and outstanding (note 11)	**1,034.7**	984.7
Accumulated other comprehensive loss	**(360.0)**	(365.7)
Retained earnings	**269.4**	205.8
Total equity	**944.1**	824.8
Total liabilities and equity	**$3,869.0**	$3,807.8

The accompanying notes are an integral part of these condensed financial statements.

Approved on behalf of the Board of Directors

Chairman **President and Chief Executive Officer**

Nova Scotia Power Inc.
Statements of Cash Flows (Unaudited)

For the		Three months ended March 31
millions of Canadian dollars	**2011**	2010 (as adjusted – note 16)
Operating activities		
Net income of Nova Scotia Power Inc.	**$65.6**	$67.2
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**46.1**	45.1
Allowance for equity funds used during construction	**(1.8)**	(1.6)
Deferred income taxes	**2.4**	10.4
Net change in pension and post-retirement obligations	**0.2**	(2.1)
Fuel adjustment	**(7.8)**	(39.7)
Net changes in fair value of derivative instruments	**(1.3)**	2.0
Other operating activities	**0.9**	2.2
Changes in non-cash working capital		
Receivables, net	**(48.2)**	(47.3)
Prepaid expenses	**(13.1)**	(17.1)
Income taxes receivable	**(9.8)**	(13.6)
Inventory	**25.0**	31.4
Accounts payable	**(44.7)**	(50.1)
Due to associated companies	**(3.2)**	1.8
Other current liabilities	**10.4**	(2.2)
Net cash provided by (used in) operating activities	**20.7**	(13.6)
Investing activities		
Additions to property, plant and equipment	**(48.6)**	(46.0)
Additions to intangibles	**(1.0)**	(2.9)
Allowance for borrowed funds used during construction	**(2.0)**	(1.7)
Retirement spending net of salvage	**(0.8)**	(1.1)
Net cash used in investing activities	**(52.4)**	(51.7)
Financing activities		
Short-term debt, net	**(16.3)**	67.5
Issuance of common stock	**50.0**	-
Dividends on preferred stock	**(2.0)**	(2.0)
Other financing activities	**-**	(0.2)
Net cash provided by financing activities	**31.7**	65.3
Net change in cash	**-**	-
Cash, beginning of period	**0.3**	0.3
Cash, end of period	**$0.3**	$0.3
Supplemental disclosure of cash paid:		
Interest	**$26.0**	$27.1
Income and capital taxes	**$1.4**	$0.7

The accompanying notes are an integral part of these condensed financial statements.

Nova Scotia Power Inc.
Statements of Comprehensive Income (Unaudited)

For the	Three months ended March 31	
millions of Canadian dollars	**2011**	2010 (as adjusted – note 16)
Net income of Nova Scotia Power Inc.	**$65.6**	$67.2
Other comprehensive income		
Amortization of unrecognized pension and post-retirement benefit costs	**5.7**	2.4
Other comprehensive income	**5.7**	2.4
Comprehensive income	**$71.3**	$69.6

The accompanying notes are an integral part of these condensed financial statements.

Nova Scotia Power Inc.
Statements of Changes in Equity (Unaudited)

millions of Canadian dollars	Common Stock	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Equity
For the three months ended March 31, 2011				
Balance, December 31, 2010 (as adjusted – note 16)	$984.7	$(365.7)	$205.8	$824.8
Net income of Nova Scotia Power Inc.	-	-	65.6	65.6
Other comprehensive income	-	5.7	-	5.7
Issuance of common stock	50.0	-	-	50.0
Cash dividends declared on preferred stock ($0.3688 per share)	-	-	(2.0)	(2.0)
Balance, March 31, 2011	$1,034.7	$(360.0)	$269.4	$944.1
For the three months ended March 31, 2010				
Balance, December 31, 2009 (as adjusted – note 16)	$934.7	$(256.1)	$186.5	$865.1
Net income of Nova Scotia Power Inc.	-	-	67.2	67.2
Other comprehensive income	-	2.4	-	2.4
Cash dividends declared on preferred stock ($0.3688 per share)	-	-	(2.0)	(2.0)
Balance, March 31, 2010	$934.7	$(253.7)	$251.7	$932.7

The accompanying notes are an integral part of these condensed financial statements.

Nova Scotia Power Inc.
Notes to the Condensed Financial Statements (Unaudited)

March 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of Nova Scotia Power Inc. are as follows:

A. Nature of Operations

Nova Scotia Power Inc. ("NSPI" or the "Company") is a fully-integrated regulated electric utility and the primary electricity supplier in Nova Scotia, Canada, providing generation, transmission and distribution services to approximately 490,000 customers. NSPI is a public utility as defined under the Public Utilities Act of Nova Scotia (the "Act") and is subject to regulation by the Nova Scotia Utility and Review Board ("UARB"). The Company's accounting policies are subject to examination and approval of the UARB.

B. Basis of Presentation

These unaudited condensed financial statements are prepared and presented in accordance with United States Generally Accepted Accounting Principles ("USGAAP") including the application of rate-regulated accounting and the rules and regulations of the United States Securities and Exchange Commission ("SEC") for Quarterly Reports on Form 6-K. These unaudited condensed financial statements do not contain all disclosures required by USGAAP for annual audited financial statements. Accordingly, they should be read in conjunction with Nova Scotia Power Inc.'s annual financial statements as at and for the year ended December 31, 2010, which were prepared in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP"), and note 16 to these condensed financial statements, the CGAAP to USGAAP transition and reconciliation information.

In the opinion of management, these unaudited condensed financial statements include all adjustments that are of a recurring nature and necessary to fairly state the financial position of NSPI. Financial results for this interim period are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 31, 2011.

All dollar amounts are presented in Canadian dollars.

C. Seasonal Nature of Operations

Interim results are not necessarily indicative of results for the full year due primarily to seasonal factors. Electricity sales and related generation vary significantly over the year, with Q1 and Q4 typically being the strongest periods, reflecting colder weather and fewer daylight hours in the winter season.

D. Use of Management Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management evaluates the Company's estimates on an on-going basis based upon historical experience, current conditions and assumptions believed to be reasonable at the time the assumption is made, with any adjustments recognized in income in the year they arise. Significant estimates are included in unbilled revenue, allowance for doubtful accounts, inventory, valuation of derivative instruments, depreciation, amortization, regulatory assets and regulatory liabilities (including the determination of the current portion), income taxes (including deferred income taxes), pension and post-retirement benefits, asset retirement obligations ("AROs") and contingencies. Actual results may differ significantly from these estimates.

E. Regulatory Matters

Regulatory accounting applies where rates are established by, or subject to approval by, an independent third party regulator; are designed to recover the specific costs of the regulated products or services; and it is reasonable to assume are set at levels such that recovered costs can be charged to and collected from customers.

Regulatory assets represent incurred costs that have been deferred because it is probable that they will be recovered through future rates collected from customers. Management believes that existing regulatory assets are probable of recovery either because the Company received specific approval or due to regulatory precedent set for similar circumstances. If management no longer considers it probable that an asset will be recovered, the deferred costs are charged to income.

Regulatory liabilities represent obligations to make refunds to customers or to reduce future revenues for previous collections. If management no longer considers it probable that a liability will be settled, the deferred revenue is recognized in income.

For regulatory assets and liabilities which are amortized, the amortization is approved by the UARB.

NSPI recognizes regulatory assets or liabilities where the deferred income taxes are expected to be recovered from or returned to customers in future rates.

F. Foreign Currency Translation

Monetary assets and liabilities, denominated in foreign currencies, are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting differences between the translation at the original transaction date and the balance sheet date are included in income.

G. Revenue Recognition

Operating revenues are recognized when electricity is delivered to customers or when products are delivered and services are rendered. Revenues are recognized on an accrual basis and include billed and unbilled revenues. Revenues related to the sale of electricity are recognized at rates approved by the UARB and recorded based on meter readings and estimates, which occur on a systematic basis throughout a month. At the end of each month, the electricity delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized. The accuracy of the unbilled revenue estimate is affected by energy demand, weather, line losses and changes in the composition of customer classes.

H. Sales Taxes

Sales taxes are collected and remitted by the Company and accounted for on a net basis. Sales taxes are not reflected in the income statement.

I. Research and Development Costs

Research and development costs are expensed as incurred.

J. Employee Benefits

The costs of the Company's pension and other post-employment benefit programs for employees are expensed over the periods during which employees render service. The Company recognizes the funded status of its defined-benefit and other post-employment plans on the balance sheet and recognizes changes in funded status in the year the change occurs. The Company recognizes the unamortized gains and losses and past service costs in "Accumulated other comprehensive loss ("AOCL")".

K. Allowance for Doubtful Accounts

Management estimates uncollectible accounts receivable after considering historical loss experience and the characteristics of existing accounts. Provisions for losses on receivables are expensed to maintain the allowance at a level considered adequate to cover expected losses. Receivables are written off against the allowance when they are deemed uncollectible.

L. Inventory

Inventory, consisting of fuel and materials, is measured at the lower of cost or market. Cost is determined using the weighted average method. Fuel and materials are recorded to inventory when purchased and then expensed or capitalized, as appropriate, using the weighted average cost method.

M. Property, Plant and Equipment

Property, plant and equipment are recorded at original cost, including allowance for funds used during construction (“AFUDC”), net of contributions received in aid of construction.

The cost of additions, including betterments and replacements of units of property are included in “Property, plant and equipment”. When units of regulated property are replaced, renewed or retired, their cost plus removal or disposal costs, less salvage proceeds, are charged to accumulated depreciation with no gain or loss reflected in income.

Normal maintenance projects are expensed as incurred. Planned major maintenance projects that do not increase the overall life of the related assets are expensed. When maintenance increases the life or value of the underlying asset, the cost is capitalized.

N. Capitalization Policy

The cost of property, plant and equipment represents the original cost of materials, contracted services, direct labour, AFUDC for regulated property, AROs and overhead directly attributable to the capital project. Overhead includes costs related to support functions, employee benefits, insurance, inventory, and fleet operating and maintenance.

O. Allowance for Funds Used During Construction

AFUDC represents the cost of financing regulated construction projects with both borrowed and equity funds and is capitalized to the cost of property, plant and equipment in accordance with the accounting policies approved by the UARB. AFUDC is a non-cash item; cash is realized under the rate-making process over the service life of the related property, plant and equipment through future revenues resulting from a higher rate base and higher depreciation expense. The component of AFUDC attributable to borrowed funds is included as a reduction to “interest expense”, while the equity component is included as a reduction to “other expenses”. AFUDC is calculated using a weighted average cost of capital as per the method of calculation approved by the UARB. The AFUDC rate for 2011 is 7.87 percent (2010 – 7.96 percent). AFUDC is compounded semi-annually.

P. Depreciation

Depreciation is determined by the straight-line method, based on the estimated remaining service lives of the depreciable assets in each category. The service lives of regulated assets are determined based on formal depreciation studies and are approved by the UARB.

The estimated useful lives, in years, for each major category of property, plant and equipment are as follows:

Generation	20 to 131
Transmission	39 to 65
Distribution	24 to 75
General plant	7 to 40

Q. Intangible Assets

Intangible assets consist primarily of land rights and computer software with definite lives. Intangible assets are presented in "Other" as a part of other assets. Amortization is determined by the straight-line method, based on the estimated remaining service lives of the depreciable assets in each category. The service lives of regulated assets are determined based on formal depreciation studies and approved by the UARB.

The estimated useful life in years for intangibles with definite lives for 2011 are as follows:

Land rights	50 to 80
Computer software	10

R. Asset Impairment

Long-lived assets and intangibles are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. NSPI bases its evaluation of long-lived assets and intangibles on the presence of impairment indicators such as the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors. If the sum of the undiscounted cash flows expected from an asset are less than the carrying value of the asset, the asset is written down to fair value. There were no material impairments of these assets in 2011 or 2010.

S. Debt Financing Costs

The Company capitalizes the external costs of obtaining debt financing and includes them in "Other" as part of other assets. The deferred charge is amortized over the life of the related debt on an effective interest basis and included in "Interest expense, net".

T. Income Taxes and Investment Tax Credits

NSPI recognizes deferred income tax assets and liabilities for the future tax consequences of events that have been included in the financial statements or income tax returns. Deferred income tax assets and liabilities are determined based on the difference between the carrying value on the balance sheet and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. If management determines that it is more likely than not that some or all of a deferred income tax asset will not be realized, then a valuation allowance is recorded to report the balance at the amount expected to be realized.

Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the more likely than not recognition threshold is satisfied and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement.

Investment tax credits arise as a result of incurring qualifying scientific research and development expenditures and are recorded as a reduction to income tax expense in the current or future periods to the extent that realization of such benefit is more likely than not.

NSPI classifies interest and penalties associated with unrecognized tax benefits as interest and operating expense, respectively.

U. Asset Retirement Obligation

An ARO is recognized if a legal obligation exists in connection with the future disposal or removal costs resulting from the permanent retirement, abandonment or sale of a long-lived asset. A legal obligation may exist under an existing or enacted law or statute, written or oral contract, or by legal construction under the doctrine of promissory estoppel.

An ARO represents the fair value of the estimated cash flows necessary to discharge the future obligation using the Company's credit adjusted risk-free rate. The amounts are reduced by actual expenditures incurred. Estimated future cash flows are based on completed depreciation studies, remediation reports, prior experience, estimated useful lives, and governmental regulatory requirements. When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. The amount capitalized at inception is depreciated in the same manner as the related long-lived asset. Over time, the liability is accreted to its estimated future value. Accretion expense is included as part of "Depreciation and amortization". Any accretion expense not yet approved by the UARB is deferred to a regulatory asset in "Property, plant and equipment" and included in the next depreciation study.

Some of the transmission and distribution assets may have conditional AROs, which are required to be estimated and recorded as a liability. A conditional ARO refers to a legal obligation to perform an asset retirement activity in which the timing and or method of settlement are conditional on a future event that may or may not be within the control of the entity. Management monitors these obligations and a liability is recognized at fair value when an amount can be determined.

V. Derivatives and Hedging Activities

NSPI enters into futures, forwards, swaps and option contracts as part of its risk management strategy to limit exposure to:

- commodity price fluctuations related to the purchase and sales of commodities in the course of normal operations;
- foreign exchange fluctuations on foreign currency denominated purchases and sales; and
- interest rate fluctuations on debt securities.

The Company also enters into physical contracts for energy commodities. Collectively, these contracts are considered "derivatives".

The Company uses derivatives to reduce normal operating and market risks, not for speculative purposes. The Company's primary objective in using derivatives is to reduce the impact of market price volatility. The risk management policies adopted by the Company provide a framework through which management monitors various risk exposures. The risk management plan has been approved by the Board of Directors. Daily and periodic reporting of positions and other relevant metrics are performed by a centralized risk management group, which is independent of all operations. The Company enters into derivative contracts when it intends to economically hedge cash flow risks.

All derivatives are recognized on the balance sheet at their fair value unless they qualify for the normal purchases and normal sales ("NPNS") exception. The Company's physical contracts generally qualify for the NPNS exception if the transaction is reasonable in relation to the Company's business needs, the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, the Company intends to receive physical delivery, and the Company deems the counterparty creditworthy. NSPI continually assesses physical contracts designated under the NPNS exception and will discontinue the treatment of these contracts under this exception if the criteria are no longer met.

Certain derivatives entered into by NSPI that are documented as economic hedges, and for which the NPNS exception has not been taken, receive regulatory deferral as approved by the UARB. These derivatives are recorded at fair value on the balance sheet as derivative assets or liabilities. The unrealized gains and losses associated with these derivatives are deferred to a regulatory asset or liability. The gain or loss on these derivatives is recognized when the derivatives are settled. Management believes that any gains or losses resulting from settlement of these derivatives will be refunded or collected from customers in future rates.

NSPI classifies gains and losses on derivatives as a component of fuel for generation and purchased power expense, other expenses, inventory, and property plant and equipment, depending on the nature of the item being economically hedged. Cash flows from derivative activities are presented in the same category as the item being hedged within operating or investing activities on the statement of cash flows.

W. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. A fair value hierarchy exists that prioritizes the inputs used to measure fair value. The Company is required to determine the fair value of all derivatives except those which qualify for the NPNS exception (see notes 13 and 14). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (“Level 1” measurement) and the lowest priority to unobservable inputs (“Level 3” measurement).

The three levels of the fair value hierarchy are defined as follows:

Where possible the Company bases the fair valuation of its financial assets and liabilities on quoted prices for identical assets and liabilities in active markets. These valuations are classified as “Level 1”.

Where quoted prices for identical assets and liabilities are not available, the valuation of certain contracts must be based on quoted prices for similar assets and liabilities in active markets with an adjustment related to location differences. Also, certain derivatives are valued using quotes from over-the-counter clearing houses. These valuations are classified as “Level 2”.

Finally, certain derivatives are classified as “Level 3” due to the use of unobservable or internally developed inputs. The primary reasons for a Level 3 classification are as follows:

- While price curves may have been based on observable information, significant assumptions may have been made regarding seasonal or monthly shaping and locational basis differentials.
- Certain transactions were valued using pricing curves that extended beyond the quoted period. Assumptions were made to extrapolate prices from the last quoted period through the end of the transaction term.
- The valuations of certain transactions were based on internal models although external inputs were utilized in the valuations.

Derivative assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

X. Variable Interest Entities

The Company performs an analysis on an on-going basis to assess whether the Company holds any variable interest entities (“VIEs”) that are required to be consolidated because the Company is determined to be the primary beneficiary. The analysis identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics: the power to direct the activities of a VIE that most significantly impact the entity’s economic performance, and the obligation to absorb losses of the entity that could potentially be significant to the VIE. To identify potential VIEs, management reviews contracts under leases, long-term purchase power agreements, tolling contracts and jointly owned facilities. The Company has identified certain long-term purchase power agreements that could be defined as variable interests as the Company has to purchase all or a majority of the electricity generation at a fixed price. However, it was determined that the Company was not the primary beneficiary since it lacked the power to direct the activities of the entity, including the ability to operate the generating facilities and make management decisions.

The Company holds a variable interest in Renewable Energy Services Ltd. (“RESL”), a VIE for which it was determined that NSPI was not the primary beneficiary since it does not have the controlling financial interest of RESL. The Company has provided a limited guarantee with no set term for the indebtedness of RESL under a loan agreement between RESL and a third party lender for a credit facility of $23.5 million. NSPI holds a security interest in all present and future assets of RESL. The guarantee arose in conjunction with NSPI’s participation in a wind energy project at Point Tupper, Nova Scotia, which is being operated by RESL under a project agreement between RESL and NSPI. A default by RESL, under its loan agreement, would require NSPI to make payment under the guarantee. Under a purchased power agreement, NSPI purchases, at a fixed price, 100 percent of the power generated by the project. As at March 31, 2011, RESL’s indebtedness under the loan agreement was $22.8 million (December 31, 2010 – $23.1 million), and NSPI has not recorded a liability in relation to the guarantee.

For the three months ended March 31, 2011, the Company has not identified any new VIEs.

Y. Derivative Positions and Cash Collateral

Derivatives, as reflected on the balance sheets, are not offset by the fair value amounts of cash collateral with the same counterparty. Rights to reclaim cash collateral are recognized in "Receivables, net" and obligations to return cash collateral are recognized in "Accounts payable".

2. FUEL ADJUSTMENT

The fuel adjustment related to the fuel adjustment mechanism ("FAM") includes the effect of fuel costs in both the current and two preceding years. The difference between actual fuel costs and amounts recovered from customers in the current period is included in "Fuel adjustment". This amount, net of the incentive component, is deferred to a FAM regulatory asset in "Regulatory assets" or a FAM regulatory liability in "Regulatory liabilities". The fuel adjustment also includes the recovery from (rebate to) customers of under (over) recovered costs from prior years.

The fuel adjustment consisted of the following:

For the	Three months ended	March 31
millions of Canadian dollars	**2011**	2010
Under recovery of current year fuel costs	**$(14.0)**	$(33.0)
Recovery from (rebate to) customers from prior years	**8.2**	(6.4)
Fuel adjustment	**$(5.8)**	$(39.4)

The Company has recognized a deferred income tax expense related to the fuel adjustment based on NSPI's enacted statutory tax rate.

The FAM regulatory asset or liability includes amounts recognized as a fuel adjustment and associated interest that is included in "Interest expense, net". As at March 31, 2011, NSPI's current FAM regulatory asset was $36.4 million and long-term FAM regulatory asset was $64.3 million (December 31, 2010 – current FAM regulatory asset of $27.2 million and long-term FAM regulatory asset of $65.7 million), and current deferred income tax liability was $11.6 million and long-term deferred income tax liability was $19.9 million (December 31, 2010 – current deferred income tax liability of $8.8 million and long-term deferred income tax liability of $20.4 million).

3. OTHER EXPENSES, NET

Other expenses, net consisted of the following:

For the	Three months ended	March 31
millions of Canadian dollars	**2011**	2010
Allowance for equity funds used during construction	**$(1.8)**	$(1.6)
Amortization of defeasance costs	**3.0**	3.0
Foreign exchange gains	**(0.2)**	(0.5)
Foreign exchange losses recovered through the FAM	**1.3**	2.8
Other	**(0.1)**	(0.1)
	$2.2	$3.6

4. INTEREST EXPENSE, NET

Interest expense, net consisted of the following:

For the	Three months ended	March 31
millions of Canadian dollars	**2011**	2010
Interest on long-term debt	**$29.2**	$26.0
Interest on short-term debt	**0.9**	0.3
Interest revenue	**(2.1)**	(0.4)
Allowance for borrowed funds used during construction	**(2.0)**	(1.7)
Other	**0.9**	1.9
	$26.9	$26.1

Interest on long-term debt includes amortization of debt financing costs, premiums and discounts.

5. INCOME TAXES

The Company's effective tax rate for the three months ended March 31, 2011 and March 31, 2010 was (10.8) percent and (2.9) percent, respectively. The effective tax rate for the three months ended March 31, 2011 and March 31, 2010 was lower than the statutory income tax rate of 32.5 percent and 34 percent respectively, primarily due to deferred income taxes on regulated income deferred to regulatory assets and regulatory liabilities.

Income taxes are lower in Q1 2011 compared to Q1 2010 primarily due to decreased income before provision for income taxes and a lower statutory income tax rate. During Q1 2011, NSPI continued to claim accelerated tax deductions for property, plant and equipment resulting in an income tax recovery.

6. RECEIVABLES, NET

Receivables, net consisted of the following:

As at millions of Canadian dollars	**March 31** **2011**	December 31 2010
Customer accounts receivable – billed	**$105.9**	$74.0
Customer accounts receivable – unbilled	**122.7**	107.8
Total customer accounts receivable	**228.6**	181.8
Allowance for doubtful accounts	**(2.7)**	(2.5)
Customer accounts receivable, net	**225.9**	179.3
Other	**14.8**	13.2
	$240.7	$192.5

7. INVENTORY

Inventory consisted of the following:

As at millions of Canadian dollars	**March 31** **2011**	December 31 2010
Fuel	**$99.8**	$125.9
Materials	**29.4**	28.3
	$129.2	$154.2

8. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

As at millions of Canadian dollars	**March 31** **2011**	December 31 2010
Accrued charges	**$31.3**	$27.5
Accrued interest on long-term debt	**34.0**	29.8
Sales taxes payable	**9.4**	7.0
Dividends payable	**2.0**	2.0
Other	**1.3**	0.9
	$78.0	$67.2

9. REGULATORY

The Company is a public utility as defined in the Act and is subject to regulation under the Act by the UARB. The Act gives the UARB supervisory powers over NSPI's operations and expenditures. Electricity rates for NSPI's customers are also subject to UARB approval. The Company is not subject to a general annual rate review process, but rather participates in hearings held from time to time at the Company's or the UARB's request.

NSPI is regulated under a cost-of-service model, with rates set to recover prudently-incurred costs of providing electricity service to customers, and provide an appropriate return to investors. NSPI's prescribed regulated return on equity ("ROE") range for 2011 is 9.1 percent to 9.6 percent based on an actual regulated common equity component of up to 40 percent of average regulated capitalization.

On December 23, 2010, the UARB granted NSPI approval to defer certain tax benefits related to renewable energy projects arising in 2010. Accordingly, effective December 31, 2010, NSPI recognized a deferral of $14.5 million through an increase in regulatory amortization. The UARB convened a proceeding in 2011 to discuss how this deferral will be applied, and a decision is expected in Q2 2011.

On December 8, 2010, as part of the FAM regulatory process, the UARB approved NSPI's setting of the 2011 base cost of fuel and the under-recovered fuel related costs from prior years. The UARB approved the recovery of the prior year cost balance from customers over three years effective January 1, 2011, with 50 percent to be recovered in 2011, 30 percent in 2012 and 20 percent in 2013. The decision resulted in an average rate increase of approximately 4.5 percent for customers in 2011. Pursuant to the FAM Plan of Administration, NSPI is entitled to earn a return on the balance of fuel related costs.

On January 10, 2010, NSPI reached an agreement with stakeholders on its calculation of regulated ROE. The agreement, approved by the UARB, set as a condition that NSPI maintains an average actual equity to total capitalization, each as defined by the UARB, at a level of no higher than 40 percent beginning 2010 and until the next general rate case.

The UARB approved the implementation of a FAM in the Company's 2009 General Rate Decision, effective January 1, 2009. The FAM is subject to a formula based incentive with NSPI retaining or absorbing the over- or under-recovered amount less the difference between the incentive threshold and the base amount to a maximum of $5 million.

The Company's last general rate hearing was settled on November 5, 2008. The UARB approved an average 9.28 percent increase in customer rates at that time.

10. COMMITMENTS AND CONTINGENCIES

A. Commitments

As at March 31, 2011, commitments (excluding pension and other post-retirement benefits, long-term debt, and AROs) for each of the next five years and in aggregate thereafter consisted of the following:

millions of Canadian dollars	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
Purchased power	**$50.0**	$71.7	$76.3	$76.1	$76.2	$1,024.9
Coal, biomass, oil and natural gas supply	**150.0**	181.7	108.4	44.0	21.9	613.7
Transportation	**47.6**	49.6	10.6	9.7	0.4	-
Long-term service agreements	**5.6**	4.5	4.5	4.3	4.4	0.5
Capital projects	**62.2**	33.8	4.0	-	-	-
Leases	**1.6**	1.0	0.7	0.3	0.3	1.4
Other	**0.6**	0.5	0.2	-	-	-

- Purchased power: annual requirement to purchase 100 percent of electricity production from independent power producers over varying contract lengths up to 25 years.
- Coal, biomass, oil and natural gas supply: purchasing commitments for the supply of coal, oil, natural gas, and for the services and supply of biomass.
- Transportation: purchasing commitments for transportation of solid fuel and transportation capacity on the Maritimes & Northeast Pipeline ("M&NP").
- Long-term service agreements: consist of outsourced management of the Company's computer and communication infrastructure.
- Capital projects: commitments to third parties to purchase goods and services related to capital projects.
- Leases: consists of operating lease agreements for office space and rail cars.
- Other: consists of other purchase commitments.

B. Legal Proceedings

A number of individuals who live in proximity to the Company's Trenton generating station have filed a statement of claim for an unspecified amount against NSPI in respect of emissions from the operation of the plant for the period from 2001 forward. The plaintiffs claim unspecified damages as a result of interference with enjoyment of, or damage to, their property and adverse health effects they allege were caused by such emissions. The Company has filed a defense to the claim. The outcome of this litigation, and therefore an estimate of any contingent loss, is not determinable.

In addition, the Company may, from time to time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business which the Company believes would not reasonably be expected to have a material adverse effect on the financial condition of the Company.

C. Environment

NSPI is committed to operating in a manner that is respectful and protective of the environment, and in full compliance with legal requirements and Company policy. NSPI has implemented this practice through development and application of environmental management systems ("EMS") where risks are identified and managed proactively. In addition to programs for employees, the EMS procedures include planning, implementing and monitoring of contractors' performance.

The Company is subject to regulation by federal, provincial and municipal authorities with regard to environmental matters primarily through its utility operations. In addition to imposing continuing compliance obligations, there are laws, regulations and permits authorizing the imposition of penalties for non-compliance, including fines, injunctive relief and other sanctions. The cost of complying with current and future environmental requirements is material to the Company. Failure to comply with environmental requirements or to recover environmental costs in a timely manner through rates could have a material adverse effect.

Conformance with legislative and company requirements are verified through a comprehensive environmental audit program. There were no significant environmental or regulatory compliance issues identified during the 2011 and 2010 audits.

Climate Change and Air Emissions

NSPI has stabilized, and in recent years, reduced greenhouse gas emissions. This has been achieved by energy efficiency and conservation programs, increased use of natural gas, improved efficiency of converting natural gas to electricity and the addition of new renewable energy sources to the generation portfolio.

In April 2007, the province of Nova Scotia enacted an Act Respecting Environmental Goals and Sustainable Prosperity. Within this act, there is an objective to reduce provincial greenhouse gas emissions to 10 percent below 1990 levels by 2020. In January 2009, the Province released its 2009 Energy Strategy and Climate Change Action Plan. These documents provide the elements of the plan to achieve this objective. In August 2009, the Province enacted regulations to cap greenhouse gas emissions from the electricity sector in Nova Scotia.

In January 2007, the Nova Scotia Government approved the Renewable Energy Standard Regulation ("RES") to increase the percentage of renewable energy in the Province of Nova Scotia's generation mix. In October 2009, the RES was amended. The target date for 5 percent of electricity to be supplied from post-2001 sources of renewable energy, owned by independent power producers, was extended to 2011 from 2010. The target for 2013, which requires an additional 5 percent of renewable energy, is unchanged.

Greenhouse gas emissions from NSPI facilities are capped beginning in 2010 through to 2020. The 2010 to 2012 caps will be achieved by the continued success of energy efficiency and conservation programs and the addition of renewable energy to meet the provincial renewable energy standards. The regulations also include a transmission incentive compliance mechanism recognizing expenditures on transmission which facilitates additional renewable energy sources. Up to 3 percent of the annual cap can be offset in this way to 2019. Further, the 2010 to 2020 period years are combined to form multi-year compliance periods recognizing the variability in electricity supply sources and demand.

It is anticipated that the 2013 through 2015 caps will be achieved by successful energy efficiency and conservation programs and adding renewable energy to meet the provincial 2013 renewable energy standards.

Beyond 2014, reduced greenhouse gas emissions will be achieved through a combination of additional renewable energy, import of non-emitting energy, energy efficiency and conservation. The Canadian federal government has announced a proposed policy framework for greenhouse gas reductions from the coal generating units within the electricity sector. The proposed framework has a performance based standard to be achieved upon a coal fired generating unit reaching its 45 year anniversary. The first year of regulation would be 2015. The content and timing of the framework may be affected by the outcome of the May 2, 2011 federal election.

Mercury

In 2008, NSPI carried out extensive testing on mercury abatement technology in its coal power plants. A capital program to add sorbent injection to each of the seven pulverized fuel coal units was completed in 2010 at a cost of $17.3 million. This was put in place to address a change in the mercury emissions limit, moving from 168 kilograms ("kg") per year to 65 kg per year beginning in 2010. In the fall of 2010, the Nova Scotia government amended the limits to allow 110 kg in 2010, 100 kg in 2011, 100 kg in 2012, 85 kg in 2013, 65 kg annually for the period 2014 through 2019 and 35 kg in 2020. Any mercury emission above 65 kg, between 2010 and 2013, must be offset by lower emissions in the 2014 to 2020 period.

Nitrogen Oxide and Sulphur Dioxide Emissions

NSPI has completed its capital program of retrofitting low nitrogen oxide combustion firing systems on six of its seven pulverized fuel coal units in early 2009 at a cost of $23.3 million. NSPI now meets the nitrogen oxide emission cap of 21,365 tonnes per year established by the Province of Nova Scotia effective 2010. These investments, combined with the purchasing of compliance coal, allows NSPI to meet the provincial air quality regulations. Compared to historical levels, NSPI will have reduced mercury emissions by 60 percent effective 2014, nitrogen oxide by 40 percent effective 2009 and sulphur dioxide by 50 percent effective 2010.

Poly Chlorinated Bi-Phenol Transformers

In response to the Canadian Environmental Protection Act 1999, 2008 Poly Chlorinated Bi-Phenol ("PCB") Regulations to phase out electrical equipment and liquids containing PCBs, NSPI has implemented a program to eliminate transformers and other electrical equipment on its system that do not meet the 2008 PCB Regulations Standard. NSPI is in the process of testing electrical equipment over a four year period. The project completion date had been extended to 2014. The cost of testing the electrical equipment is expensed as incurred; replacement of electrical equipment, the cost to install that electrical equipment and the cost of destroying PCB contaminated electrical equipment are capitalized. In addition, in response to the 2008 PCB Regulations Standard, there is a project to phase out the use of pole mount transformers before 2025. Currently, there is a capital program to destroy all confirmed PCB contaminated pole mount transformers taken out of service through attrition. The combined total cost of these projects is estimated to be $21.6 million and, as at March 31, 2011 and December 31, 2010, approximately $3.2 million has been spent to test, replace and remediate PCB contaminated electrical equipment and liquids in this effort to date. NSPI has recognized an ARO of $14.5 million as at March 31, 2011 (December 31, 2010 - $13.9 million) associated with the PCB phase-out program.

D. Environmental Remediation

NSPI's activities are subject to a broad range of federal, provincial, regional and local laws and environmental regulations, designed to protect, restore, and enhance the quality of the environment including air, water and solid waste. NSPI estimates its environmental capital expenditures, excluding AFUDC, based upon present environmental laws and regulations will be approximately $61.0 million during 2011 and $618.0 million from 2012 through 2015. Amounts that have been committed to are included in "Capital projects" in the commitments included in note 10A. The estimated expenditures do not include costs related to possible changes in the environmental laws or regulations and enforcement policies may be enacted in response to issues such as climate change and other pollutant emissions.

E. Risks and Uncertainties

Labour

NSPI had 1,680 full-time employees and 247 term employees as at March 31, 2011, of which approximately 51 percent were represented by a local union affiliated with the International Brotherhood of Electrical Workers. A collective bargaining agreement was entered into on August 1, 2007 and expires March 31, 2012.

Large Customer

NSPI has one large industrial customer that contributed to approximately 6.8 percent (2010 – 6.8 percent) of NSPI's electric revenues for the quarter ending March 31, 2011. The five largest industrial customers contributed to approximately 10.1 percent (2010 – 10.2 percent) of NSPI's electric revenues for the three months ending March 31, 2011.

Regulatory

The adoption and implementation of the FAM, effective January 1, 2009, has helped NSPI manage the regulatory risk with respect to the timeliness and certainty of the full recovery of fuel costs.

F. Guarantees and Letters of Credit

As part of normal business, NSPI enters into various guarantees providing financial or performance assurance to third parties. These guarantees are entered into primarily to support or enhance their creditworthiness, thereby facilitating the extension of sufficient credit to accomplish the Company's intended commercial purposes.

NSPI had the following guarantees:

- A financial institution has issued standby letters of credit on behalf of NSPI for the benefit of third parties that have extended credit to NSPI. The amount consists primarily of 1.2 million EURO ("€") issued to Enercon Canada Inc. to support NSPI's operations. These letters of credit typically have a one year term and are renewed as required. The amounts committed as at March 31, 2011 were $1.9 million. These amounts are not reflected on the balance sheet.

- A financial institution has issued a standby letter of credit for the Nova Scotia Power Incorporated Supplementary Retirement Plan which provides retirement benefits to members in respect to their earnings in excess of those on which benefits can be provided under NSPI's Registered Plan. The letter of credit expires in June 2011 and is renewed annually. The amount committed as at March 31, 2011 was $18.9 million. This amount is not reflected on the balance sheet.

- NSPI has provided a limited guarantee for the indebtedness of RESL. The guarantee is up to a maximum of $23.5 million. As at March 31, 2011, RESL's indebtedness under the loan agreement was $22.8 million. NSPI holds a first ranking security interest in the assets of RESL and all future assets of the project owned by RESL. For further information see note 1x.

No liability has been recognized related to any potential obligation under these guarantees.

11. COMMON STOCK

Authorized: Unlimited number of no par value common shares.

Issued and outstanding:	millions of shares	Common Stock Capital millions of Canadian dollars
December 31, 2010	**112.2**	$984.7
Issuance of common stock	**5.0**	50.0
March 31, 2011	**117.2**	$1,034.7

12. EMPLOYEE BENEFIT PLANS

NSPI maintains contributory defined-benefit and defined-contribution pension plans, which cover substantially all of its employees and plans providing non-pension benefits for its retirees.

Net periodic costs prior to the effects of capitalization consisted of the following:

For the	Three months ended March 31	
millions of Canadian dollars	**2011**	2010
Defined benefit pension plans		
Service cost	**$3.4**	$2.2
Interest cost	**12.6**	12.6
Expected return on plan assets	**(12.5)**	(12.4)
Current year amortization of:		
Actuarial losses	**5.6**	2.4
Total defined benefit pension plans	**9.1**	4.8
Non-pension benefits plan		
Service cost	**0.5**	0.4
Interest cost	**0.5**	0.6
Current year amortization of:		
Actuarial losses (gains)	**0.1**	(0.1)
Past service costs	**-**	0.1
Total non-pension benefits plans	**1.1**	1.0
Total defined benefit plans	**$10.2**	$5.8

The Company contributions related to defined-benefit plans for the three months ended March 31, 2011 were $10.0 million (2010 – $7.9 million).

In addition, the Company contributions related to the defined-contribution plan for the three months ended March 31, 2011 were $0.4 million (2010 – $0.3 million).

13. DERIVATIVE INSTRUMENTS

The Company enters into futures, forwards, swaps and option contracts as part of its risk management strategy to limit exposure to:

- commodity price fluctuations related to the purchase and sale of commodities in the course of normal operations;
- foreign exchange fluctuations on foreign currency denominated purchases and sales; and
- interest rate fluctuations on debt securities.

The Company also enters into physical contracts for energy commodities. Collectively, these contracts are considered “derivatives”.

The Company accounts for derivatives under one of the following two approaches:

I. Physical contracts entered into that meet the NPNS exception are recognized when settled. A physical contract generally qualifies for the NPNS exception if the transaction is reasonable in relation to the Company's business needs, the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, the Company intends to receive physical delivery, and the Company deems the counterparty creditworthy. The Company continually assesses physical contracts designated under the NPNS exception and will discontinue the treatment of these contracts under this exception if the criteria are no longer met. For greater certainty, NPNS contracts are not recognized at fair value on the balance sheet.

II. Derivatives entered into by NSPI, that are documented as economic hedges, and for which the NPNS exception has not been taken, receive regulatory deferral as approved by the UARB. These derivatives are recorded at fair value on the balance sheet as derivative assets or liabilities. The unrealized gains and losses associated with these derivatives are deferred to a regulatory asset or liability. The gain or loss on these derivatives is recognized when the derivatives are settled. Management believes that any gains or losses resulting from settlement of these derivatives will be refunded to or collected from customers in future rates.

Derivative assets and liabilities receiving regulatory deferral consisted of the following:

	Derivative Assets		**Derivative Liabilities**	
As at millions of Canadian dollars	**March 31 2011**	December 31 2010	**March 31 2011**	December 31 2010
Current				
Commodity swaps and forwards				
Coal purchases	**$23.4**	$23.6	**$0.1**	$1.9
Natural gas purchases and sales	**1.5**	0.8	**10.6**	20.3
Heavy fuel oil ("HFO") purchases	**-**	1.9	**-**	1.3
Foreign exchange forwards	**0.1**	2.1	**4.8**	1.2
Physical natural gas purchases and sales	**4.6**	4.3	**0.1**	-
Total gross current derivatives	**29.6**	32.7	**15.6**	24.7
Impact of master netting agreements with intent to settle net or simultaneously	**(0.1)**	(1.7)	**(0.1)**	(1.7)
Total current derivatives	**29.5**	31.0	**15.5**	23.0
Long-term				
Commodity swaps and forwards				
Coal purchases	**21.4**	18.5	**-**	-
Natural gas purchases and sales	**0.2**	0.1	**0.4**	1.8
Foreign exchange forwards	**-**	2.2	**19.8**	9.4
Physical natural gas purchases and sales	**6.8**	8.1	**-**	-
Total long-term derivatives	**28.4**	28.9	**20.2**	11.2
Total derivatives	**$57.9**	$59.9	**$35.7**	$34.2

Derivative assets and liabilities are classified as current or long-term based upon the maturities of the underlying contracts.

Regulatory Deferral

As previously noted, NSPI receives approval from the UARB for regulatory deferral of certain derivatives documented as economic hedges that do not qualify for hedge accounting, including certain physical contracts that do not qualify for the NPNS exception. The Company has recorded the following unrealized gains (losses) with respect to derivatives receiving regulatory deferral:

	Regulatory Assets		**Regulatory Liabilities**	
For the three months ended millions of Canadian dollars	**March 31 2011**	March 31 2010	**March 31 2011**	March 31 2010
Current				
Commodity swaps and forwards				
Coal purchases	**$(1.0)**	$0.2	**$(0.6)**	$0.3
Natural gas purchases and sales	**(8.8)**	1.5	**(1.5)**	(0.2)
HFO purchases	**(1.3)**	(1.4)	**1.9**	7.6
Foreign exchange forwards	**3.2**	(0.3)	**2.0**	(0.3)
Physical natural gas purchases and sales	**0.1**	13.9	**(0.3)**	(0.8)
Long-term				
Commodity swaps and forwards				
Coal purchases	**-**	0.4	**(2.9)**	2.3
Natural gas purchases and sales	**(1.5)**	0.8	**(0.1)**	(0.1)
HFO purchases	**-**	(1.3)	**-**	2.0
Foreign exchange forwards	**10.5**	2.1	**2.2**	9.4
Physical natural gas purchases and sales	**-**	0.1	**1.2**	1.1

Commodity Swaps and Forwards

As at March 31, 2011, the Company had the following notional volumes of outstanding commodity swaps and forward contracts designated for regulatory approval that are expected to settle as outlined below:

	2011	2012	2013	2014
millions	Purchases	Purchases	Purchases	Purchases
Coal (metric tonnes)	0.9	0.5	0.3	0.1
Natural gas (Mmbtu)	20.2	10.4	0.5	-

Foreign Exchange Forwards

As at March 31, 2011, the Company had the following notional volumes of foreign exchange forward contracts that are expected to settle as outlined below:

	2011	2012	2013	2014	2015
Fuel purchases exposure (millions of Canadian dollars)	**$140.2**	$226.0	$130.0	$128.0	$127.0
Weighted average rate	**0.9917**	0.9947	1.0617	1.0319	1.0281
% of USD requirements	**46.6%**	53.3%	30.7%	30.2%	30.0%

Credit Risk

The Company is exposed to credit risk with counterparties to its derivatives. Credit risk is the potential loss resulting from a counterparty's non-performance under an agreement. The Company manages credit risk with policies and procedures for counterparty analysis, exposure measurement, and exposure monitoring and mitigation.

It is possible that volatility in commodity prices could cause the Company to have material credit risk exposures with one or more counterparties. If such counterparties fail to perform their obligations under one or more agreements, the Company could suffer a material financial loss. However, as at March 31, 2011, substantially all of the counterparties with transaction amounts outstanding in the Company's derivatives portfolio are rated "investment grade" by the major rating agencies. The Company assesses credit risk internally for counterparties that are not rated.

The Company enters into commodity master arrangements with its counterparties to manage certain risks, including credit risk to these counterparties. The Company generally enters into International Swaps and Derivatives Association agreements ("ISDA"), North American Energy Standards Board agreements ("NAESB") and, or Edison Electric Institute Agreements. The Company believes that entering into such agreements offers protection by creating contractual rights relating to creditworthiness, collateral, non-performance and default.

The Company has implemented procedures to monitor the creditworthiness and credit exposure of counterparties and to consider default probability in valuing the counterparty positions. The Company monitors counterparties' credit standing, including those that are experiencing financial problems, have significant swings in default probability rates, have credit rating changes by external rating agencies, or have changes in ownership. Net liability positions are adjusted based on the Company's current default probability. Net asset positions are adjusted based on the counterparty's current default probability.

Cash Collateral

The Company's cash collateral positions consisted of the following:

As at millions of Canadian dollars	**March 31 2011**	December 31 2010
Cash collateral provided to others	**-**	$2.5
Cash collateral received from others	**$0.5**	-

Collateral is posted in the normal course of business based on the Company's creditworthiness, including its senior unsecured credit rating as determined by certain major credit rating agencies. Certain of the Company's derivatives contain financial assurance provisions that require collateral to be posted only if a material adverse credit-related event occurs. If a material adverse event resulted in the senior unsecured debt to fall below investment grade, the counterparties to such derivatives could request ongoing full collateralization.

As at March 31, 2011, the total fair value of these derivatives, in a net liability position, is $35.7 million (December 31, 2010 – $ $34.2 million). If the credit ratings of the Company were reduced below investment grade the full value of the net liability position could be required to be posted as collateral for these derivatives.

14. FAIR VALUE MEASUREMENTS

The Company is required to determine the fair value of all derivatives except those which qualify for the NPNS exception (see note 13) and uses a market approach. Where possible, the Company bases the fair valuation of its financial assets and liabilities on quoted prices for identical assets and liabilities in active markets. These valuations are classified as "Level 1".

Where quoted prices for identical assets and liabilities are not available, the valuation of certain contracts must be based on quoted prices for similar assets and liabilities in active markets with an adjustment related to location differences. Also, certain derivatives are valued using quotes from over-the-counter clearings houses. These valuations are classified as "Level 2".

Finally, certain derivatives are classified as "Level 3" due to the significance of unobservable or internally developed inputs. The primary reasons for a Level 3 classification are as follows:

- While price curves may have been based on observable information, significant assumptions may have been made regarding seasonal or monthly shaping and locational basis differentials.
- Certain transactions were valued using pricing curves that extended beyond the quoted period. Assumptions were made to extrapolate prices from the last quoted period through the end of the transaction term.
- The valuations of certain transactions were based on internal models although external inputs were utilized in the valuations.

Derivative assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following tables set out the classification of the methodology used by the Company to fair value its derivatives at March 31, 2011 and December 31, 2010:

As at				**March 31, 2011**
millions of Canadian dollars	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Regulatory deferral				
Commodity swaps and forwards				
Coal purchases	**$44.7**	**-**	**-**	**$44.7**
Natural gas purchases and sales	**1.7**	**-**	**-**	**1.7**
Foreign exchange forwards	**-**	**$0.1**	**-**	**0.1**
Physical natural gas purchases and sales	**-**	**-**	**$11.4**	**11.4**
Total assets	**46.4**	**0.1**	**11.4**	**57.9**
Liabilities				
Regulatory deferral				
Commodity swaps and forwards				
Natural gas purchases and sales	**11.0**	**-**	**-**	**11.0**
Foreign exchange forwards	**-**	**24.6**	**-**	**24.6**
Physical natural gas purchases and sales	**-**	**-**	**0.1**	**0.1**
Total liabilities	**11.0**	**24.6**	**0.1**	**35.7**
Net assets (liabilities)	**$35.4**	**$(24.5)**	**$11.3**	**$22.2**

As at				December 31, 2010
millions of Canadian dollars	Level 1	Level 2	Level 3	Total
Assets				
Regulatory deferral				
Commodity swaps and forwards				
Coal purchases	$41.2	-	-	$41.2
Natural gas purchases and sales	0.1	-	-	0.1
HFO purchases	-	$1.9	-	1.9
Foreign exchange forwards	-	4.3	-	4.3
Physical natural gas purchases and sales	-	-	$12.4	12.4
Total assets	41.3	6.2	12.4	59.9
Liabilities				
Regulatory deferral				
Commodity swaps and forwards				
Coal purchases	1.0	-	-	1.0
Natural gas purchases and sales	21.3	-	-	21.3
HFO purchases	-	1.3	-	1.3
Foreign exchange forwards	-	10.6	-	10.6
Total liabilities	22.3	11.9	-	34.2
Net assets (liabilities)	$19.0	$(5.7)	$12.4	$25.7

The change in the fair value of the Level 3 financial assets for the three months ended March 31, 2011 was as follows:

millions of Canadian dollars	Physical Natural Gas Purchases and Sales
Balance, January 1	$12.4
Benefit included in fuel for generation and purchased power	(1.2)
Unrealized gains included in regulatory assets or liabilities	0.2
Balance, March 31	$11.4

The change in the fair value of the Level 3 financial liabilities for the three months ended March 31, 2011 was as follows:

millions of Canadian dollars	Physical Natural Gas Purchases and Sales
Balance, January 1	-
Unrealized losses included in regulatory assets or liabilities	$(0.1)
Balance, March 31	$(0.1)

The Company recognizes transfers at the end of the reporting period.

The financial assets and liabilities included on the balance sheets that are not measured at fair value consisted of the following:

As at	**March 31, 2011**		December 31, 2010	
millions of Canadian dollars	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Long-term debt (including current portion)	**$1,894.6**	**$2,179.6**	$1,952.3	$2,299.0

The fair values of long-term debt instruments are estimated based on the quoted market price for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturity, without considering the effect of third party credit enhancements.

All other financial assets and liabilities such as cash, receivables, short-term debt and accounts payable are carried at cost. The carrying value approximates fair value due to the short-term nature of these financial instruments.

15. RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties in the normal course of operations. All related party transactions with NSPI are governed by a Code of Conduct that is approved by the UARB.

NSPI, Emera Energy Services ("EES"), Bangor Hydro Electric Company ("Bangor Hydro") and Emera Utility Services ("EUS") are wholly owned subsidiaries of Emera Inc. ("Emera"). Emera owns a 12.9 percent interest in M&NP.

Related party transactions are summarized in the following table:

For the millions of Canadian dollars			Three months ended March 31	
	Nature of Service	**Presentation**	**2011**	2010
Sales:				
EUS	Steam sales	Operating revenues	**$0.2**	$0.1
Emera	Contract revenues	Operating revenues	**2.4**	-
Emera	Corporate support and other services	Operating, maintenance and general	**0.8**	0.8
EES	Net sale of natural gas	Fuel for generation and purchased power – affiliates	**0.3**	-
EES	Corporate support and other services	Operating, maintenance and general	**0.3**	0.3
Bangor Hydro	Corporate support and other services	Operating, maintenance and general	**0.2**	0.2
Other	Corporate support and other services	Operating, maintenance and general	**0.4**	0.3
Purchases:				
EES	Net purchase of electricity	Fuel for generation and purchased power – affiliates	**-**	1.0
EES	Net purchase of natural gas	Fuel for generation and purchased power – affiliates	**-**	0.6
Emera	Purchase of power	Fuel for generation and purchased power – affiliates	**2.4**	-
EUS	Maintenance services	Operating, maintenance and general	**4.1**	0.5
EUS	Purchase of inventory	Inventory	**0.3**	0.3
EUS	Construction services	Property, plant and equipment	**2.2**	3.0

In the ordinary course of business, the Company purchased natural gas transportation capacity totaling $4.2 million (2010 – $4.4 million) during the three months ended March 31, 2011 from M&NP. The amount is recognized in "Fuel for generation and purchased power" and is measured at the exchange amount. As at March 31, 2011, the amount payable to M&NP is $1.1 million (December 31, 2010 – $1.0 million) and is under normal interest and credit terms.

During the three months ended March 31, 2011, the Company issued 5.0 million (2010 – nil) common shares to Emera Inc. and an affiliate under common control of Emera Inc. for total consideration of $50.0 million.

Amounts due (to) from associated companies are summarized in the following table:

As at millions of Canadian dollars	**March 31 2011**	December 31 2010
Due from associated companies:		
EES	**$0.1**	$0.7
	0.1	0.7
Due to associated companies:		
EUS	**(2.6)**	(5.5)
Emera	**(0.5)**	(1.4)
	(3.1)	(6.9)
Net due to associated companies	**$(3.0)**	$(6.2)

16. USGAAP TRANSITION

ADOPTION OF USGAAP

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") announced that CGAAP for publically accountable enterprises, would be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. In Q4 2009, due primarily to the continued uncertainty around the applicability of a rate-regulated accounting standard under IFRS, management of Emera, NSPI's parent company, reviewed the option of adopting USGAAP instead of IFRS. In Q1 2010, the Company decided to transition to USGAAP as recommended by management. The adoption of USGAAP has been made on a retrospective basis with restatement of prior periods' financial statements to reflect USGAAP requirements in effect at that time.

For annual reporting purposes, the transition date to USGAAP is January 1, 2010, which is the commencement of the 2010 comparative period to the Company's 2011 financial statements.

As a result of NSPI's decision to transition to USGAAP, effective January 1, 2011, there was an amendment to the Company's regulated accounting policy for financial instruments and hedges which was approved by the UARB. The effects of this amendment were applied retrospectively, in accordance with that policy, without restatement of prior period income. The adjustments related to the amended accounting policy have been included with the adjustments as described further in this note.

Measurement, classification and disclosure differences arising out of the Company's election to adopt USGAAP are presented below. With respect to measurement and classification differences, Section I "USGAAP differences", presents quantitative reconciliations of balance sheets, income statements and statements of cash flows, previously presented in accordance with CGAAP, to the respective amounts and classifications under USGAAP, together with descriptions of the various significant measurement and classification differences arising from the adoption of USGAAP. Balance sheet reconciliations are presented as at January 1, 2010 and December 31, 2010, representing the commencement and ending dates of the comparative financial year to 2011. Income statement and statement of cash flow reconciliations are presented for the three, six and nine months ended March 31, 2010, June 30, 2010 and September 30, 2010, respectively, and for the year ended December 31, 2010, which are periods that will be presented as comparatives to 2011 financial reporting.

In addition, USGAAP requires certain disclosures of financial information, significant to the Company, that are in addition to the required disclosure under CGAAP. This information, which is as at December 31, 2010, is presented in Section II "Additional disclosures required under USGAAP".

Except as otherwise disclosed in this note, the change in basis of accounting from CGAAP to USGAAP did not materially impact accounting policies or disclosures. Reference should be made to the previously filed CGAAP financial statements as at and for the year ended December 31, 2010 for additional information on CGAAP accounting policies and practices.

The following table summarizes the increases (decreases) to total assets:

As at millions of Canadian dollars	January 1 2010	December 31 2010
Total assets – CGAAP	$3,465.3	$3,991.3
Note A – Offsetting	(0.9)	-
Note B – Income taxes	16.1	(128.5)
Note E – Hedging	95.9	39.1
Note I – Pension and other post-retirement benefits	(94.3)	(110.7)
Note J – Issue costs	14.8	16.8
Other	-	(0.2)
Total transition adjustments	31.6	(183.5)
Total assets – USGAAP	$3,496.9	$3,807.8

The following table summarizes the increases (decreases) to total liabilities:

As at millions of Canadian dollars	January 1 2010	December 31 2010
Total liabilities – CGAAP	$2,379.9	$2,779.8
Note A – Offsetting	(0.9)	-
Note B – Income taxes	17.3	(123.1)
Note E – Hedging	51.9	49.8
Note I – Pension and other post-retirement benefits	168.6	259.5
Note J – Issue costs	15.9	17.9
Note M – Redeemable preferred stock	(134.0)	(134.1)
Note N – Share based compensation	0.9	1.1
Other	-	(0.1)
Total transition adjustments	119.7	71.0
Total liabilities – USGAAP	$2,499.6	$2,850.8

The following table summarizes the increases (decreases) to net income:

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Net income attributable to common shareholders - CGAAP	$63.3	$78.2	$100.6	$121.3
Note B – Income taxes	1.2	1.4	(3.0)	(4.2)
Note I – Pension and other post-retirement benefits	0.6	1.1	1.7	2.3
Note M – Redeemable preferred stock	-	0.1	0.1	0.1
Note N – Share based compensation	-	-	(0.1)	(0.2)
Other	0.1	(0.1)	-	(0.1)
Total transition adjustments	1.9	2.5	(1.3)	(2.1)
Net income attributable to common shareholders – USGAAP	$65.2	$80.7	$99.3	$119.2

Section I. USGAAP differences

The reconciliations of the January 1, 2010 and December 31, 2010 balance sheets from CGAAP to USGAAP are as follows:

As at January 1, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Assets				
Current assets				
Cash		$0.3	-	$0.3
Receivables, net	A	271.8	$(0.9)	270.9
Inventory		165.6	-	165.6
Deferred income taxes	B	34.4	(22.3)	12.1
Derivatives in a valid hedging relationship	C	19.4	(19.4)	-
Held-for-trading derivatives	C	8.9	(8.9)	-
Derivative instruments	C	-	28.3	28.3
Regulatory assets	D, E	-	122.7	122.7
Prepaid expenses		5.7	-	5.7
Other current assets	F	-	1.5	1.5
Total current assets		506.1	101.0	607.1
Property, plant and equipment	B, G	2,365.6	153.8	2,519.4
Construction work-in-progress	G	152.8	(152.8)	-
		2,518.4	1.0	2,519.4
Other assets				
Deferred income taxes	B	-	61.4	61.4
Derivatives in a valid hedging relationship	C	29.8	(29.8)	-
Held-for-trading derivatives	C	6.2	(6.2)	-
Derivative instruments	C	-	36.0	36.0
Regulatory assets	B, D, E	-	193.0	193.0
Intangibles	H	65.7	(65.7)	-
Other	B, D, F, H, I, J	339.1	(259.1)	80.0
Total other assets		440.8	(70.4)	370.4
Total assets		$3,465.3	$31.6	$3,496.9

As at January 1, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Liabilities and Equity				
Current liabilities				
Short-term debt		$198.2	$0.1	$198.3
Current portion of long-term debt		100.7	-	100.7
Accounts payable	A, K	-	151.7	151.7
Accounts payable and accrued charges	K	213.9	(213.9)	-
Due to associated companies	N	0.7	0.9	1.6
Income taxes payable	B	1.2	2.1	3.3
Dividends payable	L	1.7	(1.7)	-
Derivatives in a valid hedging relationship	C	53.0	(53.0)	-
Held-for-trading derivatives	C	12.2	(12.2)	-
Derivative instruments	C	-	65.2	65.2
Pension and post-retirement liabilities	I	-	8.3	8.3
Regulatory liabilities	B, D, E	-	45.6	45.6
Other current liabilities	B, F, K, L, M	-	65.9	65.9
Total current liabilities		581.6	59.0	640.6
Long-term liabilities				
Long-term debt	J, M	1,397.0	16.5	1,413.5
Deferred income taxes	B	52.0	(52.0)	-
Derivatives in a valid hedging relationship	C	20.0	(20.0)	-
Held-for-trading derivatives	C	1.3	(1.3)	-
Derivative instruments	C	-	21.3	21.3
Pension and post-retirement liabilities	I	-	221.2	221.2
Regulatory liabilities	B, D, E	-	87.1	87.1
Asset retirement obligations		101.5	-	101.5
Other long-term liabilities	D, F, I	91.5	(77.1)	14.4
Preferred shares	M	135.0	(135.0)	-
Total long-term liabilities		1,798.3	60.7	1,859.0
Redeemable preferred stock	M	-	132.2	132.2
Equity				
Common stock		934.7	-	934.7
Accumulated other comprehensive loss	E, I	(44.0)	(212.1)	(256.1)
Retained earnings	B, I, J, M, N	194.7	(8.2)	186.5
Total equity		1,085.4	(220.3)	865.1
Total liabilities and equity		$3,465.3	$31.6	$3,496.9

As at December 31, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Assets				
Current assets				
Cash		$0.3	-	$0.3
Receivables, net		192.5	-	192.5
Income taxes receivable	B	40.6	$(6.3)	34.3
Inventory		154.2	-	154.2
Deferred income taxes	B	4.1	(4.1)	-
Derivatives in a valid hedging relationship	C	24.7	(24.7)	-
Held-for-trading derivatives	C	6.3	(6.3)	-
Derivative instruments	C	-	31.0	31.0
Regulatory assets	D, E	-	71.8	71.8
Prepaid expenses		6.1	(0.1)	6.0
Other current assets	F	-	1.8	1.8
Total current assets		428.8	63.1	491.9
Property, plant and equipment	B, G	2,669.0	280.5	2,949.5
Construction work-in-progress	G	279.2	(279.2)	-
		2,948.2	1.3	2,949.5
Other assets				
Deferred income taxes	B	-	16.8	16.8
Derivatives in a valid hedging relationship	C	20.8	(20.8)	-
Held-for-trading derivatives	C	8.2	(8.2)	-
Derivative instruments	C	-	28.9	28.9
Regulatory assets	B, D, E	-	232.5	232.5
Intangibles	H	72.5	(72.5)	-
Other	B, D, F, H, I, J	512.8	(424.6)	88.2
Total other assets		614.3	(247.9)	366.4
Total assets		$3,991.3	$(183.5)	$3,807.8

As at December 31, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Liabilities and Equity				
Current liabilities				
Short-term debt		$48.3	-	$48.3
Current portion of long-term debt		0.1	-	0.1
Accounts payable	K	-	$157.9	157.9
Accounts payable and accrued charges	K	221.3	(221.3)	-
Due to associated companies	N	5.1	1.1	6.2
Dividends payable	L	1.7	(1.7)	-
Deferred income taxes	B	-	3.4	3.4
Derivatives in a valid hedging relationship	C	2.2	(2.2)	-
Held-for-trading derivatives	C	20.8	(20.8)	-
Derivative instruments	C	-	23.0	23.0
Pension and post-retirement liabilities	I	-	8.2	8.2
Regulatory liabilities	B, D, E	-	52.4	52.4
Other current liabilities	B, F, K, L, M	-	67.2	67.2
Total current liabilities		299.5	67.2	366.7
Long-term liabilities				
Long-term debt	J, M	1,933.7	18.5	1,952.2
Deferred income taxes	B	163.1	(163.1)	-
Derivatives in a valid hedging relationship	C	9.4	(9.4)	-
Held-for-trading derivatives	C	1.8	(1.8)	-
Derivative instruments	C	-	11.2	11.2
Pension and post-retirement liabilities	I	-	314.7	314.7
Regulatory liabilities	B, D, E	-	61.7	61.7
Asset retirement obligations		138.7	-	138.7
Other long-term liabilities	D, F, I, K	98.6	(93.0)	5.6
Preferred shares	M	135.0	(135.0)	-
Total long-term liabilities		2,480.3	3.8	2,484.1
Redeemable preferred stock	M	-	132.2	132.2
Equity				
Common stock		984.7	-	984.7
Accumulated other comprehensive income (loss)	E, I	10.8	(376.5)	(365.7)
Retained earnings	B, I, J, M, N	216.0	(10.2)	205.8
Total equity		1,211.5	(386.7)	824.8
Total liabilities and equity		$3,991.3	$(183.5)	**$3,807.8**

The adjustments to January 1, 2010 and December 31, 2010 equity are as follows:

As at January 1, 2010 millions of Canadian dollars	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
CGAAP	$934.7	$(44.0)	$194.7	$1,085.4
Note B – Income taxes	-	-	(1.2)	(1.2)
Note E – Hedging	-	44.0	-	44.0
Note I – Pension and other post-retirement benefits	-	(256.1)	(6.8)	(262.9)
Note J – Issue costs	-	-	(1.1)	(1.1)
Note M – Redeemable preferred stock	-	-	1.8	1.8
Note N – Share-based compensation	-	-	(0.9)	(0.9)
Total transition adjustments	-	(212.1)	(8.2)	(220.3)
USGAAP	$934.7	$(256.1)	$186.5	$865.1

As at December 31, 2010 millions of Canadian dollars	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
CGAAP	$984.7	$10.8	$216.0	$1,211.5
Note B – Income taxes	-	-	(5.4)	(5.4)
Note E – Hedging	-	(10.7)	-	(10.7)
Note I – Pension and other post-retirement benefits	-	(365.7)	(4.5)	(370.2)
Note J – Issue costs	-	-	(1.1)	(1.1)
Note M – Redeemable preferred stock	-	-	1.9	1.9
Note N – Share-based compensation	-	-	(1.1)	(1.1)
Other	-	(0.1)	-	(0.1)
Total transition adjustments	-	(376.5)	(10.2)	(386.7)
USGAAP	$984.7	$(365.7)	$205.8	$824.8

The statements of income for the 2010 periods reconciled from CGAAP to USGAAP are as follows:

For the three months ended March 31, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Operating revenues				
Electric	O	$337.5	$(337.5)	-
Other	O	3.2	(3.2)	-
Operating revenues	O, P	-	342.8	$342.8
Total operating revenues		340.7	2.1	342.8
Cost of operations				
Fuel for generation and purchased power	Q	181.2	(1.6)	179.6
Fuel for generation and purchased power – affiliates	Q	-	1.6	1.6
Fuel adjustment		(39.4)	-	(39.4)
Operating, maintenance and general	I, P	53.2	1.7	54.9
Provincial grants and taxes		10.0	-	10.0
Depreciation and amortization	B, R	36.6	4.5	41.1
Regulatory amortization	R	4.4	(4.4)	-
Total operating expenses		246.0	1.8	247.8
Income from operations		94.7	0.3	95.0
Other expenses, net	O, S, T	-	3.6	3.6
Financing charges	M, S, T	32.3	(32.3)	-
Interest expense, net	B, S, T	-	26.1	26.1
Income before provision for income taxes		62.4	2.9	65.3
Income tax recovery	B	(0.9)	(1.0)	(1.9)
Net income of Nova Scotia Power Inc.		63.3	3.9	67.2
Dividends on preferred stock	M	-	2.0	2.0
Net income attributable to common shareholders		$63.3	$1.9	$65.2

For the six months ended June 30, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Operating revenues				
Electric	O	$604.5	$(604.5)	-
Other	O	6.8	(6.8)	-
Operating revenues	O, P	-	616.0	$616.0
Total operating revenues		611.3	4.7	616.0
Cost of operations				
Fuel for generation and purchased power	Q	305.5	(6.4)	299.1
Fuel for generation and purchased power – affiliates	Q	-	6.4	6.4
Fuel adjustment		(52.0)	-	(52.0)
Operating, maintenance and general	I, P	111.0	3.9	114.9
Provincial grants and taxes		20.0	-	20.0
Depreciation and amortization	B, R	74.0	9.0	83.0
Regulatory amortization	R	8.8	(8.8)	-
Total operating expenses		467.3	4.1	471.4
Income from operations		144.0	0.6	144.6
Other expenses, net	O, S, T	-	5.9	5.9
Financing charges	M, S, T	63.2	(63.2)	-
Interest expense, net	B, M, S, T	-	52.7	52.7
Income before provision for income taxes		80.8	5.2	86.0
Income tax expense (recovery)	B	2.6	(1.3)	1.3
Net income of Nova Scotia Power Inc.		78.2	6.5	84.7
Dividends on preferred stock	M	-	4.0	4.0
Net income attributable to common shareholders		$78.2	$2.5	$80.7

For the nine months ended September 30, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Operating revenues				
Electric	O	$870.9	$(870.9)	-
Other	O	10.7	(10.7)	-
Operating revenues	O, P	-	888.2	$888.2
Total operating revenues		881.6	6.6	888.2
Cost of operations				
Fuel for generation and purchased power	Q	440.5	(8.0)	432.5
Fuel for generation and purchased power – affiliates	Q	-	8.0	8.0
Fuel adjustment		(75.0)	-	(75.0)
Operating, maintenance and general	I, N, P, T	172.5	5.8	178.3
Provincial grants and taxes		30.0	-	30.0
Depreciation and amortization	B, R	110.9	13.5	124.4
Regulatory amortization	R	13.2	(13.2)	-
Total operating expenses		692.1	6.1	698.2
Income from operations		189.5	0.5	190.0
Other expenses, net	O, S, T	-	7.8	7.8
Financing charges	M, S, T	93.0	(93.0)	-
Interest expense, net	B, M, S, T	-	77.9	77.9
Income before provision for income taxes		96.5	7.8	104.3
Income tax (recovery) expense	B	(4.1)	3.1	(1.0)
Net income of Nova Scotia Power Inc.		100.6	4.7	105.3
Dividends on preferred stock	M	-	6.0	6.0
Net income attributable to common shareholders		$100.6	$(1.3)	$99.3

For the year ended December 31, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Operating revenues				
Electric	O	$1,167.3	$(1,167.3)	-
Other	O	15.4	(15.4)	-
Operating revenues	O, P	-	1,191.4	$1,191.4
Total operating revenues		1,182.7	8.7	1,191.4
Cost of operations				
Fuel for generation and purchased power	Q	586.7	(8.1)	578.6
Fuel for generation and purchased power – affiliates	Q	-	8.1	8.1
Fuel adjustment		(99.0)	-	(99.0)
Operating, maintenance and general	I, N, P, T	237.5	8.3	245.8
Provincial grants and taxes		40.1	-	40.1
Depreciation and amortization	B, R	150.8	37.3	188.1
Regulatory amortization	R	36.9	(36.9)	-
Total operating expenses		953.0	8.7	961.7
Income from operations		229.7	-	229.7
Other expenses, net	O, S, T	-	11.3	11.3
Financing charges	M, S, T	125.8	(125.8)	-
Interest expense, net	B, M, S, T	-	104.7	104.7
Income before provision for income taxes		103.9	9.8	113.7
Income tax (recovery) expense	B	(17.4)	4.0	(13.4)
Net income of Nova Scotia Power Inc.		121.3	5.8	127.1
Dividends on preferred stock	M	-	7.9	7.9
Net income attributable to common shareholders		$121.3	$(2.1)	$119.2

The statements of cash flows for the 2010 periods reconciled from CGAAP to USGAAP are as follows:

For the three months ended March 31, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Net cash used in operating activities	M, S	$(17.3)	$3.7	$(13.6)
Net cash used in investing activities	S	(50.0)	(1.7)	(51.7)
Net cash provided by financing activities	M	67.3	(2.0)	65.3
Net change in cash		-	-	-
Cash, beginning of period		0.3	-	0.3
Cash, end of period		$0.3	-	$0.3

For the six months ended June 30, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Net cash provided by operating activities	M, S	$43.2	$7.4	$50.6
Net cash used in investing activities	S	(210.6)	(3.4)	(214.0)
Net cash provided by financing activities	M	167.4	(4.0)	163.4
Net change in cash		-	-	-
Cash, beginning of period		0.3	-	0.3
Cash, end of period		$0.3	-	$0.3

For the nine months ended September 30, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Net cash provided by operating activities	M, S	$139.8	$12.5	$152.3
Net cash used in investing activities	S	(352.8)	(6.5)	(359.3)
Net cash provided by financing activities	M	213.0	(6.0)	207.0
Net change in cash		-	-	-
Cash, beginning of period		0.3	-	0.3
Cash, end of period		$0.3	-	$0.3

For the year ended December 31, 2010 millions of Canadian dollars	Notes	CGAAP	Effect of transition to USGAAP	USGAAP
Net cash provided by operating activities	B, M, S	$300.2	$17.1	$317.3
Net cash used in investing activities	B, S	(533.3)	(9.2)	(542.5)
Net cash provided by financing activities	M	233.1	(7.9)	225.2
Net change in cash		-	-	-
Cash, beginning of period		0.3	-	0.3
Cash, end of period		$0.3	-	$0.3

NOTES TO THE TRANSITIONAL ADJUSTMENTS

Under USGAAP, the Company is (i) measuring certain assets, liabilities, revenues and expenses differently than it had been under CGAAP (see details on each measurement change below); and (ii) disclosing certain assets, liabilities, revenues and expenses on different lines in the financial statements than they had been under CGAAP (see details on each classification change below).

A. Offsetting (measurement difference)

Certain items on the balance sheets are being offset where a legal right of setoff exists. Differences exist between CGAAP and USGAAP in defining what balances may be offset.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Receivables, net	$(0.9)	-
Accounts payable	(0.9)	-

B. Income taxes (measurement difference)

In addition to the tax effects of other transition adjustments, the following are included in the income tax adjustments.

Investment tax credits ("ITCs")

Under CGAAP, the Company recognized ITCs as a reduction from the related expenditures where there was reasonable assurance of collection. Under USGAAP, the Company recognizes ITCs as a reduction to income tax expense in the current and future periods to the extent that realization of such benefit is more likely than not.

Tax rates

Under CGAAP, the Company measured income taxes using substantively enacted income tax rates. Under USGAAP, the Company uses enacted income tax rates. NSPI recognized an income tax liability under USGAAP for the difference between the enacted tax rates and the substantively enacted tax rates for the Part VI.1 tax deduction related to dividends on preferred stock.

Uncertain tax positions

Under CGAAP, the Company recognizes the benefit of an uncertain tax position when it is probable of being sustained.

Under USGAAP, the Company recognizes the benefit of an uncertain tax position only when it is more likely than not that such a position will be sustained by the taxing authorities based on the technical merits of the position. The current and deferred income tax impact is equal to the largest amount, considering possible settlement outcomes, that is greater than 50 percent likely of being realized upon settlement with the taxing authorities.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Current assets		
Income taxes receivable	-	$(6.3)
Deferred income taxes	$(22.3)	(4.1)
Property, plant and equipment	1.0	1.3
Other assets		
Deferred income taxes	61.4	16.8
Regulatory assets	(25.2)	(136.9)
Other	1.2	0.7
Current liabilities		
Income taxes payable	2.1	-
Deferred income taxes	-	3.4
Regulatory liabilities	4.7	3.0
Other current liabilities	1.3	1.2
Long-term liabilities		
Deferred income taxes	(52.0)	(163.1)
Regulatory liabilities	61.2	32.4
Equity		
Retained earnings	(1.2)	(5.4)

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Depreciation and amortization	$0.1	$0.2	$0.3	$0.4
Interest expense, net	(0.3)	(0.3)	(0.4)	(0.2)
Income tax (recovery) expense	(1.0)	(1.3)	3.1	4.0

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the effect on the Statements Cash Flows is as follows:

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Net cash provided by operating activities	-	-	-	$0.3
Net cash used in investing activities	-	-	-	(0.3)

C. Derivatives (classification change)

Under CGAAP, the Company was disclosing its derivatives in valid hedging relationships and held-for-trading derivatives as separate line items on the balance sheet. Under USGAAP, the Company has included these balances together in “Derivative instruments”.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Current assets		
Derivative instruments	$28.3	$31.0
Derivatives in a valid hedging relationship	(19.4)	(24.7)
Held-for-trading derivatives	(8.9)	(6.3)
Other assets		
Derivative instruments	36.0	29.0
Derivatives in a valid hedging relationship	(29.8)	(20.8)
Held-for-trading derivatives	(6.2)	(8.2)
Current liabilities		
Derivative instruments	65.2	23.0
Derivatives in a valid hedging relationship	(53.0)	(2.2)
Held-for-trading derivatives	(12.2)	(20.8)
Long-term liabilities		
Derivative instruments	21.3	11.2
Derivatives in a valid hedging relationship	(20.0)	(9.4)
Held-for-trading derivatives	(1.3)	(1.8)

D. Regulatory assets and liabilities (classification change)

Under CGAAP, the Company was disclosing its regulatory assets and liabilities in other assets and liabilities respectively. Under USGAAP, the Company discloses its regulatory assets and liabilities as separate line items on the balance sheet.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Current assets		
Regulatory assets	$46.8	$44.9
Other assets		
Regulatory assets	198.2	357.2
Other	(245.0)	(402.1)
Current liabilities		
Regulatory liabilities	18.8	20.8
Long-term liabilities		
Regulatory liabilities	(3.9)	8.1
Other long-term liabilities	(14.9)	(28.9)

E. Hedging (measurement change)

Effective for 2011, NSPI implemented an amended hedge accounting policy, which was approved by the UARB. The amended policy resulted from stakeholder requests to simplify the accounting for derivatives used to manage risk and to alleviate any USGAAP issues which would result in increased income volatility. The amended policy is applied retrospectively with restatement of prior periods with the exception of prior period income, and requires regulatory deferral for commodity, foreign exchange and interest derivatives documented as economic hedges and for physical contracts that do not qualify for the NPNS exception under USGAAP.

As a result of the amended accounting policy, NSPI receives regulatory deferral for any changes in fair value on derivatives documented as economic hedges.

As at January 1, 2010 and December 31, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Current assets		
Regulatory assets	$75.9	$26.9
Other assets		
Regulatory assets	20.0	12.2
Current liabilities		
Regulatory liabilities	22.1	28.6
Long-term liabilities		
Regulatory liabilities	29.8	21.2
Equity		
Accumulated other comprehensive income (loss)	44.0	(10.7)

F. Current other assets and liabilities (classification change)

Under CGAAP, the Company was disclosing its other assets and liabilities on the balance sheet as long-term. Under USGAAP, the Company has included the current portion of these balances in “Other current assets” and “Other current liabilities”.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Other current assets	$1.5	$1.8
Other, included in other assets	(1.5)	(1.8)
Other current liabilities	1.3	0.9
Other long-term liabilities	(1.3)	(0.9)

G. Construction work-in-progress (classification change)

Under CGAAP, the Company was disclosing its construction work-in-progress (“CWIP”) as a separate line item on the balance sheet. Under USGAAP, the Company has included this balance in “Property, plant and equipment” and will disclose its CWIP balance annually in the notes to the December 31 financial statements.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Property, plant and equipment	$152.8	$279.2
Construction work-in-progress	(152.8)	(279.2)

H. Intangibles (classification change)

Under CGAAP, the Company was disclosing its intangibles as a separate line item on the balance sheet. Under USGAAP, the Company has included this balance in “Other” as part of “Other assets”.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Other, included in other assets	$65.7	$72.5
Intangibles	(65.7)	(72.5)

I. Pension and other post-retirement benefits (measurement change)

Under CGAAP, the Company disclosed, but did not recognize, its unamortized gains and losses, its past service costs, and its unamortized transitional obligation associated with pension and other post-retirement benefits. Under USGAAP, the Company has recognized its unfunded pension obligation as a liability; the unamortized gains and losses and past service costs are recognized in “Accumulated other comprehensive loss”; and the unamortized transitional obligation previously determined under CGAAP is recognized in “Retained earnings”.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Other assets		
Other	$(94.3)	$(110.7)
Current liabilities		
Pension and post-retirement liabilities	8.3	8.2
Long-term liabilities		
Pension and post-retirement liabilities	221.2	314.7
Other long-term liabilities	(60.9)	(63.4)
Equity		
Accumulated other comprehensive loss	(256.1)	(365.7)
Retained earnings	(6.8)	(4.5)

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Operating, maintenance and general	$(0.6)	$(1.1)	$(1.7)	$(2.3)

J. Issue costs

Classification change

Under CGAAP, debt financing costs, premiums and discounts were netted against long-term debt. Under USGAAP, debt financing costs are included in “Other” as part of “Other assets”.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Other, included in other assets	$13.7	$15.7
Long-term debt	13.7	15.7

Measurement Change

Under CGAAP, the straight-line method of amortizing debt financing costs, premiums and discounts was used to approximate the effective interest method. Under USGAAP, the straight-line method is not appropriate so the effective interest method has been adopted.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Other, included in other assets	$1.1	$1.1
Long-term debt	2.2	2.2
Retained earnings	(1.1)	(1.1)

K. Accounts payable (classification change)

Under CGAAP, trade and non-trade payables were recognized in accounts payable and accrued charges. Under USGAAP, trade payables are recognized in “Accounts payable” and non-trade payables are recognized in “Other current liabilities”.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Accounts payable	$152.6	$157.9
Accounts payable and accrued charges	(213.9)	(221.3)
Other current liabilities	61.3	63.2
Other long-term liabilities	-	0.2

L. Dividends payable (classification change)

Under CGAAP, the Company was disclosing dividends payable as a separate line item on the balance sheet. Under USGAAP, the Company has included this balance in “Other current liabilities”.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Dividends payable	$(1.7)	$(1.7)
Other current liabilities	1.7	1.7

M. Redeemable preferred stock (measurement change)

Under CGAAP, NSPI's redeemable preferred stock were classified as a liability; dividends on preferred stock were classified as an expense in the statement of income and were accrued monthly; and issuance costs were deferred on the balance sheet as a deferred financing charge and amortized to income over the life of the redeemable preferred stock.

Under USGAAP NSPI's redeemable preferred stock are classified as mezzanine equity as the redeemable preferred stock do not meet the USGAAP definition of a liability; dividends on preferred stock are deducted from retained earnings and are accrued as declared; and issuance costs are netted against the redeemable preferred stock on the balance sheet and are not amortized.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Other current liabilities	$0.3	$0.3
Long-term debt	0.7	0.6
Preferred shares	(135.0)	(135.0)
Redeemable preferred stock	132.2	132.2
Retained earnings	1.8	1.9

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Financing charges	$(2.0)	$(4.0)	$(6.0)	$(7.9)
Interest expense, net	-	(0.1)	(0.1)	(0.1)
Dividends on preferred stock	2.0	4.0	6.0	7.9

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the effect on the Statements of Cash Flows is as follows:

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Net cash provided by operating activities	$2.0	$4.0	$6.0	$7.9
Net cash used in financing activities	(2.0)	(4.0)	(6.0)	(7.9)

N. Share-based compensation

Employee Common Share Purchase Plan

Under USGAAP, the Company's employee common share purchase plan is considered compensatory and the Company's contribution to the plan should be recognized. Under CGAAP, the Company was recognizing the amount of its contribution in excess of 5 percent of the average market price of the shares.

As at January 1 and December 31, 2010, the effect on the Balance Sheets is reflected in the following increases (decreases):

As at millions of Canadian dollars	January 1 2010	December 31 2010
Due to associated companies	$0.9	$1.1
Retained earnings	(0.9)	(1.1)

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Operating, maintenance and general	-	-	$0.1	$0.2

O. Revenue

Under CGAAP, revenue was recognized in electric and other revenue. Under USGAAP, electric and other revenue is recognized in “Operating revenues” and “Other expenses, net”.

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Electric revenue	$(337.5)	$(604.5)	$(870.9)	$(1,167.3)
Other revenue	(3.2)	(6.8)	(10.7)	(15.4)
Operating revenues	340.6	611.0	881.0	1,181.2
Other expenses, net	(0.1)	(0.3)	(0.6)	(1.5)

P. Netting of certain revenues and expenses

Under CGAAP, the Company was netting certain revenues and expenses in its statements of income. Under USGAAP, revenues are classified on a gross or net basis depending on whether the Company is acting as the principal or an agent in the transaction. The adoption of USGAAP has resulted in certain revenue transactions disclosed on a net basis under CGAAP to be presented on a gross basis under USGAAP.

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Operating revenues	$2.3	$5.0	$7.3	$10.2
Operating, maintenance and general	2.3	5.0	7.3	10.2

Q. Fuel for generation and purchased power

Under CGAAP, all the fuel for generation and purchased power was recognized as such. Under USGAAP, fuel for generation and purchased power purchased from or sold to affiliates is recognized in a separate line item.

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Fuel for generation and purchased power	$(1.6)	$(6.4)	$(8.0)	$(8.1)
Fuel for generation and purchased power – affiliates	1.6	6.4	8.0	8.1

R. Regulatory amortization

Under CGAAP, regulatory amortization was disclosed as a separate line item. Under USGAAP, regulatory amortization is included in “Depreciation and amortization”.

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Depreciation and amortization	$4.4	$8.8	$13.2	$36.9
Regulatory amortization	(4.4)	(8.8)	(13.2)	(36.9)

S. Allowance for funds used during construction

Under CGAAP, AFUDC was included in financing charges. Under USGAAP, allowance for equity funds used during construction is included in “Other expenses, net” and allowance for borrowed funds used during construction is netted against “Interest expense, net”.

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Other expenses, net	$(1.8)	$(4.1)	$(8.1)	$(12.0)
Financing charges expenses	3.5	7.5	14.6	20.9
Interest expense, net	(1.7)	(3.4)	(6.5)	(8.9)

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the effect on the Statements of Cash Flows is as follows:

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Net cash provided by operating activities	$1.7	$3.4	$6.5	$8.9
Net cash used in investing activities	(1.7)	(3.4)	(6.5)	(8.9)

T. Interest expense

Under CGAAP, interest expense, amortization of defeasance costs, and foreign exchange gains and losses were included in financing charges. Under USGAAP, interest expense is disclosed in a separate line item and amortization of defeasance costs and foreign exchange gains and losses are included in “Other expenses, net”.

For the quarters ended March 31, June 30, September 30 and year ended December 31, 2010, the pre-tax effect on the Statements of Income is reflected in the following increases (decreases):

For the millions of Canadian dollars	3 months ended March 31 2010	6 months ended June 30 2010	9 months ended September 30 2010	Year ended December 31 2010
Operating, maintenance and general	-	-	$0.1	$0.2
Other expenses, net	$5.6	$10.3	16.5	24.8
Financing charges	(33.8)	(66.7)	(101.5)	(138.9)
Interest expense, net	28.2	56.4	84.9	113.9

Section II. Additional disclosures required under USGAAP

The following represents select disclosures required for annual financial statements prepared in accordance with USGAAP that are not otherwise found in these interim financial statements or in the December 31, 2010 financial statements of the Company prepared in accordance with CGAAP.

Pension and other post-retirement benefits

The change in benefit obligation, assets, and funded status for all plans for the year ended December 31, 2010 was as follows:

millions of Canadian dollars	Defined benefit pension plans	Non-pension benefits plans
Reconciliation of projected benefit obligation		
Balance, January 1, 2010	$785.2	$36.3
Service cost	9.0	1.4
Plan participant contributions	5.5	-
Interest cost	50.0	2.3
Plan amendments	(1.0)	-
Benefits paid	(39.5)	(4.3)
Actuarial losses	122.3	4.1
Balance, December 31, 2010	931.5	39.8
Reconciliation of plan assets		
Balance, January 1, 2010	592.1	-
Employer contributions	34.6	4.3
Plan participant contributions	5.5	-
Benefits paid	(39.5)	(4.3)
Actual return on assets, net of expenses	55.7	-
Balance, December 31, 2010	648.4	-
Funded status, December 31, 2010	$(283.1)	$(39.8)

Amounts reflected in the above table that have not yet been recognized in NSPI's net periodic benefit cost, and are included in "Accumulated other comprehensive loss", as of December 31, 2010 were as follows:

millions of Canadian dollars	Defined benefit pension plans	Non-pension benefits plans
Actuarial losses	$363.5	$2.1
Past service (gains) costs	(1.3)	1.4
Amount in AOCL	$362.2	$3.5

Amounts from the above tables recognized in the Balance Sheet as at December 31, 2010 were as follows:

millions of Canadian dollars	Defined benefit pension plans	Non-pension benefits plans
Current liability	$(3.7)	$(4.5)
Long-term liability	(279.4)	(35.3)
AOCL	362.2	3.5
Net asset (liability) recognized	$79.1	$(36.3)

The Accumulated Benefit Obligation ("ABO") for the defined benefit pension plans was $882.2 million as at December 31, 2010. The aggregate financial position for all plans with an ABO in excess of plan assets as of December 31, 2010 is as follows:

millions of Canadian dollars	Defined benefit pension plans
Accumulated benefit obligation	$882.2
Fair value of plan assets	648.4
Funded status	$(233.8)

Income taxes

The deferred income tax assets and liabilities as at December 31, 2010 consisted of the following:

millions of Canadian dollars	Current	Long-term
Deferred income tax assets:		
Property, plant and equipment	-	$(178.1)
Regulatory assets (deferral of FAM)	-	(20.4)
Regulatory assets (unamortized defeasance costs)	-	(17.8)
Intangibles	-	23.6
Asset retirement obligations	-	62.4
Pension and other post-retirement liabilities	-	143.0
Derivative instruments	-	(8.0)
Tax loss carry forwards	-	17.0
Other	-	7.8
Total deferred income tax assets before valuation allowance	-	29.5
Valuation allowance	-	(12.7)
Total deferred income tax assets after valuation allowance	-	$16.8

millions of Canadian dollars	Current	Long-term
Deferred income tax liabilities:		
Regulatory assets (deferral of FAM)	$8.9	-
Regulatory assets (unamortized defeasance costs)	1.4	-
Derivative instruments	3.9	-
Pension and other post-retirement liabilities	(3.7)	-
Other	(7.7)	-
Total deferred income tax liabilities before valuation allowance	2.8	-
Valuation allowance	0.6	-
Total deferred income tax liabilities after valuation allowance	$3.4	

The offset to substantially all of the deferred income tax assets and liabilities noted above have been recognized as a regulatory asset or regulatory liability. These amounts include a gross up to reflect the income tax associated with future revenues required to fund deferred income tax liabilities, and the income tax benefits associated with reduced revenues resulting from the realization of deferred income tax assets.

The total amount of unrecognized tax benefits as of December 31, 2010 was $10.8 million which would favorably affect the effective tax rate, if recognized. Interest of $1.3 million has been accrued related to unrecognized tax benefits as of December 31, 2010. No penalties have been accrued. During the next twelve months, it is reasonable that $3.2 million of unrecognized tax benefits may be recognized due to statute expirations or settlement agreements with taxing authorities.

As at December 31, 2010, the Company's tax years still open to examination by taxing authorities include 2006 and subsequent years. With few exceptions, the Company is no longer subject to examination for years prior to 2006.

CONFIDENTIAL (Attachment Only)

Request IR-13:

With regards to the conversion to US GAAP and the related transition activities, please provide the following information:

(a) Copies of the quarterly updated presentations to the Company's Audit Committee on the status and achievement of the key milestones associated with the conversion to US GAAP for the period 2010 through 2011 year to date.

(b) Please provide an itemization of all costs incurred associated with the investigation and transitions to US GAAP during 2010 and 2011 year to date. Identify the account charged, vendor name, and provide a brief description of the costs. Internal labour costs may be excluded in the response.

(c) If any investigation and/or transition costs associated with the conversion to US GAAP remain in the 2012 projected expenses included in the Company's projected revenue requirements, please identify all amounts included and explain why they were not removed.

Response IR-13:

(a) Please refer to Confidential Attachment 1.

(b) Please refer to Confidential Attachment 2.

(c) No investigation and/or transition costs associated with the conversation to US GAAP are included in 2012.

NON-CONFIDENTIAL

Request IR-14:

Please provide a reconciliation of the "Operating, maintenance and general" expenses for the year ended December 31, 2010 shown on OP-01, Attachment 2, page 4 of 39 of $237.5 million, with the "Operating, maintenance and general" expenses for that same period shown on FOR-01, Attachment 1, page 1 of 1, of $229.5 million. Please explain what caused the difference.

Response IR-14:

The difference is the product of non-regulated OM&G adjustments. Please refer to Attachment 1 for a reconciliation of amounts.

Nova Scotia Power Inc.
Year Ended December 31st
Millions of Dollars

	2010
Operating, Maintenance, and General expenses - Legal	$237.5
Less: Non-regulated OM&G	
Sponsorships	0.5
Donations	1.1
50% Management Incentive	2.6
100% RSU/DSU	2.9
Emera Management Fee	0.8
Unregulated portion of Lower Water Street	0.2
Total Non-regulated OM&G	8.0
Operating, Maintenance, and General expenses - Regulated	$229.5

NON-CONFIDENTIAL

Request IR-15:

Please provide a reconciliation of the "depreciation and amortization" expense for the year ended December 31, 2010 shown on OP-01, Attachment 2, page 4 of 39 of $150.8 million, with the "Depreciation" expense for that same period shown on FOR-01, Attachment 1, page 1 of 1, of $150.5 million. Please explain what caused the difference.

Response IR-15:

The difference is the product of non-regulated depreciation adjustments. Please refer to Attachment 1 for a reconciliation of amounts.

Nova Scotia Power Inc.
Year Ended December 31st

	2010 ($M)
Depreciation & Accretion, Legal	150.8
Less: Non-regulated depreciation	
Amortization of LM6000 PPV	0.2
Amortization of Kentville	0.2
Total Non-regulated depreciation	0.3
Depreciation & Accretion, Regulated	150.5

Notes:
Figures presented represent whole numbers and may cause rounding differences of $0.1M in some instances

CONFIDENTIAL (Attachment Only)

Request IR-16:

According to OP-01, Attachment 2, page 15 of 39, other retirement benefit plans include unfunded pension arrangements, unfunded long service award, and contributory health care plan. For each of these plans, provide the following information:

(a) **A detailed description of the plan;**

(b) **Identification of employee groups (executive level, senior management, union employees, etc.) that qualify for participation in the plan;**

(c) **Number of active employees participating in the plan;**

(d) **Number of retired employees receiving benefits from the plan;**

(e) **Total expense recorded during 2010 associated with the plan; and**

(f) **Total expense included in the projected 2012 period incorporated in the filling associated with the plan.**

Response IR-16:

(a) A summary of each of the plans in included in Appendix C of the December 31, 2010 Accounting Valuation Report. Please refer to Liberty IR-80 Confidential Attachment 1.

Please refer to NPB IR-99 Attachment 21 for the SERP Plan text and Liberty IR-164 for additional information on the SERP.

CONFIDENTIAL (Attachment Only)

Please note that for financial reporting purposes, the financial results for the unfunded pension arrangements are grouped with “Defined Benefit pension plan”. The financial results for the unfunded long service award and the contributory health care plan are grouped under the heading “Non-pension benefit plans”.

(b-f) Please refer to Confidential Attachment 1.

REDACTED

Request IR-17:

Please provide the total amount of renewable tax benefits received by the Company in 2009, 2010 and 2011 year to date. Please also provide the projected amount of renewable tax benefits for 2011, 2012 and 2013 and show, in detail, how the projected amounts were determined. Also please identify the amount of renewable tax benefits reflected in the 2012 GRA and identify specifically where they are reflected. If different from the Company's current best estimate of the benefits for 2012, please explain why the amounts differ.

Response IR-17:

The renewable tax benefits received/receivable by the Company in 2009, 2010, and year to date 2011 are $0, $20.1 million, and $[redacted] million respectively.

Please refer to Partially Confidential Attachment 1 for the calculations of the projected tax benefits from renewables for 2011, 2012, and 2013.

The amount of the renewable tax benefit reflected in the 2012 GRA is $10.7 million. $10.2 million is reflected within line 36 of Partially Confidential 2012 GRA OE-10-OE-11 Attachment 1 and $0.5 million is reflected within the balance sheet.

Larkin IR-17 Attachment 1
Millions of dollars

Renewable projects	2011	2012	2013	
CCA calculation:				
UCC Opening	[redacted]			
Class 17		8.5	7.8	
Class 43.2		66.1	31.4	
Eligible capital		0.8	0.7	
Adjustments to opening (Note 1):				
Class 43.2		(1.4)	(0.5)	
Additions				
Class 17		-	-	
Class 43.2		(1.3)	145.2	
Eligible capital (@75%)		-	-	
Available for CCA				
Class 17		8.5	7.8	
Class 43.2		64.1	103.5	
Eligible capital		0.8	0.7	
CCA				
Class 17 (8%)		0.7	0.6	
Class 43.2 (50%)		32.0	51.7	
Eligible capital		0.1	0.1	
Total CCA		**32.8**	**52.4**	
Ending UCC				
Class 17		7.8	7.2	
Class 43.2		31.4	124.3	
Eligible capital		0.7	0.7	
Total Tax deduction (CCA)		**32.8**	**52.4**	-
Income Tax Rate		31%	31%	
Projected tax benefit before NSETC		**10.2**	**16.2**	
Add:				
Nova Scotia Energy Tax Credit (NSETC)		**0.5**	**-**	
Total tax benefit		**10.7**	**16.2**	-

Note 1: The reduction to the 2011 Opening UCC relates to the portion of the Nova Scotia Energy Tax Credit earned in 2010 that was claimed in 2010. The reduction to the 2012 Opening UCC relates to the portion of the Nova Scotia Energy Tax Credit earned in 2010 that was carriedforward and claimed in 2011. For tax purposes, the Energy Tax Credit reduces the opening UCC in the year following the year the tax incentive was claimed.

REDACTED

Request IR-18:

With regards to the Deferred Share Unit (DSU) Plan and the Performance Share Unit (PSU) Plan discussed at pages 28 and 29 of OP-01, Attachment 2, please provide the following information:

(a) Identify the employee group(s) who participate in the PSU Plan;

(b) Provide the amount of expense recorded in 2009, 2010 and 2011 year to date associated with the directors DSU, the executive and senior management DSU, and the PSU.

(c) Please provide the Company's current best estimate of the amount of expense to be incurred during 2011, 2012 and 2013 associated with directors DSU, executive and senior management DSU and the PSU.

(d) Provide the amount included in the 2012 GRA for the directors DSU, the executive and senior management DSU, and the PSU and describe, in detail, how each of these amounts were determined.

(e) If the amount for each of these plans that is included in the 2012 GRA differs from the actual 2010 expense for each of these plans by more than 5%, explain, in detail, the reasons for the difference.

(f) If the amount for these plans that is included in the 2012 GRA differs from the current best estimate of the 2012 expenses for each of these plans by more than 5%, explain, in detail, the reason for the difference.

REDACTED

Response IR-18:

(a-f) Participants in the Performance Share Unit (PSU) plans include NSPI's executives and senior management. The DSU and PSU expense for executive and senior management is not included in regulated OM&G expense and therefore not included in the revenue requirement. Directors' DSU expense is included under the Directors' Fees and Expenses account in Corporate Secretary and General Counsel as seen at 2012 GRA DE-03 – DE-04 Appendix C Page 5 of 49. NSPI's materiality threshold for OM&G variance explanations is $50,000 as represented in Appendix C of the Application. Please refer to Liberty IR-104 Attachment 1, worksheet "Corporate Secretary" for working papers associated with the development of the 2012 forecast.

Please refer to the table below for the DSU expense for 2009, 2010 and 2011 year-to-date included in regulated OM&G:

$ Millions	2009	2010	2011 YTD as of June 30
DSU Expense	0.1	0.3	[redacted]

Please refer to the table below for the estimated DSU expense for 2011-2013 regulated OM&G.

$ Millions	2011	2012	2013
DSU Expense	[redacted]	0.1	0.1

NON-CONFIDENTIAL

Request IR-19:

The NSPI 2010 Annual Information Form, dated March 31, 2011, at page 30, shows that Audit-related fees increased from $51,120 in 2009 to $356,690 in 2010. Please provide a listing of all audit-related fees incurred in 2010 and indicate whether or not the fees are recurring in nature. Also, please provide the amount of audit-related fees included in the 2012 GRA and explain how those amounts were determined.

Response IR-19:

Please refer to the table below for a listing of all audit-related fees in 2010:

Audit-related Service	**2010 Fees ($)**
Accounting & Disclosure Consultations	35,250
US GAAP Transition Activities	254,295
Services Associated with Securities Offerings	67,145
Total	**356,690**

US GAAP transition activities are not recurring. The amount of audit-related fees for accounting & disclosure consultations and services associated with securities offerings are dependent upon occurrences in the business for the given year and generally recurring in nature.

Audit fees and audit-related fees were not forecasted separately for 2012. Please refer to Liberty IR-104 Confidential Attachment 1, Finance Tab, 037 External Legal and Audit account for the amount of audit and audit-related fees forecasted for 2012. Non-recurring fees for US GAAP were removed from this forecasted amount. The forecast for audit fees and audit-related fees was determined by considering past expenses and business needs in 2012.

NON-CONFIDENTIAL

Request IR-20:

Please refer to DE-03 – DE-04, Appendix C, page 42 of 49. Please provide a detailed description of the reorganization of Workforce Management and Resources Allocation which increases labour costs in 2012 as compared to 2010 actual. Identify the amount of increase associated with this reorganization and explain, in detail, how the projected costs were determined. Also please indicate if such costs will be reoccurring.

Response IR-20:

In July of 2010, NSPI changed the way that Power Line Technician (PLT) and other field work is planned and dispatched with the introduction of new work management systems and the concurrent implementation of the Resource Management Centre (RMC), a centralized work and resource planning centre that plans, schedules and dispatches all of the field work across the province. Several positions from other areas of the business were transferred to the RMC, and thus did not result in any new cost to NSPI overall. New positions added $0.2 million of new cost. The processes were mapped out and the associated required positions and infrastructure were determined. Cost estimates were then applied using known average salaries, fringe and overtime rates to arrive at a total budget for the year. These costs are all normal operating costs and are expected to continue and escalate with salary increases.

CONFIDENTIAL (Attachment Only)

Request IR-21:

Please provide a copy of the detail trail balance, in sub account detail, for December 31, 2009, December 31, 2010 and for the most recent date available in 2011.

Response IR-21:

Please refer to Attachment 1 for detailed trial balances at December 31, 2010 and December 31, 2009. Please refer to Confidential Attachment 2 for detailed trial balances at May 31, 2011. Please note that this is trial balance detail is produced directly from Oracle Financial System and does not reflect reclassifications for external financial reporting purposes.

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
Current Period: DEC-10

Currency: CND
No specific Company requested

Acct	DEC-10	DEC-09
ASSETS		
Fixed assets		
Property, plant and equipment in service		
200 Property, Plant & Equipmen	4,937,772,394	4,598,153,209
205 Contributed Capital	(152,644,916)	(152,644,916)
TOTAL	4,785,127,478	4,445,508,293
Less accumulated depreciation		
210 Accumulated Depreciation	2,261,045,663	2,203,837,469
215 Amortization of Contribute	(105,393,037)	(99,984,788)
TOTAL	2,155,652,626	2,103,852,681
	2,629,474,852	2,341,655,611
Construction work in progress		
230 Inter-Company Transfer	282,813,577	177,316,008
TOTAL	282,813,577	177,316,008
	2,912,288,429	2,518,971,619
Intangibles		
217 Intangibles	72,514,425	65,690,966
TOTAL	72,514,425	65,690,966
Derivatives (Hedging)		
271 L/T Derivative Asset - Hed	20,738,340	29,808,347
TOTAL	20,738,340	29,808,347
Derivatives (HFT)		
273 L/T Asset - Trading Securi	8,170,495	6,164,566
TOTAL	8,170,495	6,164,566
Regulatory Assets		
252 Unamortized Defeasance Iss	94,537,847	106,672,270
253 Deferred Hedging Premiums	0	0
TOTAL	94,537,847	106,672,270
255 Unrealized foreign exchang	0	0
260 Deferred Plant Costs	0	0
TOTAL	0	0
264 Def.Costs-New Bus.	0	0
265 Regulatory Asset	343,858,650	137,693,579
266 ETS Clearing Account	0	0
267 Deferred Costs - Marketing	0	0
TOTAL	343,858,650	137,693,579
Other assets		
250 Unamortized Discounts	3,919,910	4,311,031

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
Current Period: DEC-10

Currency: CND
No specific Company requested

Acct	DEC-10	DEC-09
TOTAL	3,919,910	4,311,031
254 Other Issue Costs	0	0
TOTAL	0	0
262 Deferred Inv. Premium	524,527	550,537
TOTAL	524,527	550,537
263 Deferred Pension & Retiree	47,350,311	33,422,423
TOTAL	47,350,311	33,422,423
Deferred Income Tax Assets		
261 Deferred income tax asset	4,059,102	(20,994,027)
TOTAL	4,059,102	(20,994,027)
FAM Future Income Tax Assets		
268 FAM Fut Inc tax Asset (Lia	0	3,368,622
TOTAL	0	3,368,622
Current assets		
Cash		
315 Petty Cash Funds	30,250	23,757
TOTAL	30,250	23,757
Short-term investments		
320 Short-term Investments	0	0
TOTAL	0	0
Accounts Receivable - Customer		
330 Customer Service Receivabl	81,135,850	84,566,842
331 HST Kentville Rebate Recei	0	0
332 HST Rebate Receivable	9,670	14,809
333 Miscellaneous Payments Cle	0	(896)
334 CS&M D.S.M. Receivable	1,047,078	525,141
335 Large Customer Receivables	9,585,305	9,145,885
336 TOU-Electric Receivable	0	0
337 Miscellaneous Receivables	1,807,454	2,659,236
338 PST Rebate Receivable	8,077,535	6,006,549
339 Allowance for Doubtful Acc	(2,466,434)	(4,030,743)
340 Oil Swap Receivable/Payabl	0	0
341 Payroll Standing Advances	3,240	4,544
342 Other Employee Advances	2,460	2,686
343 Employee Expense Advances	0	0
344 Payroll Advances	74	74
345 Employee Purchases	(7,771)	104,581
346 Other Electric Revenue	524,237	0
347 Employee Share Purchase Lo	0	0
348 Arbitration Contract Recei	0	82,140,423
349 Retirement Award Advance	70,550	98,731
350 Accrued Interest Receivabl	0	0
TOTAL	99,789,248	181,237,865
332 HST Rebate Receivable	(9,670)	(14,809)
TOTAL	(9,670)	(14,809)
335 Large Customer Receivables	(9,585,305)	(9,145,885)
TOTAL	(9,585,305)	(9,145,885)

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
Current Period: DEC-10

Currency: CND
No specific Company requested

Acct	DEC-10	DEC-09
337 Miscellaneous Receivables	(1,807,454)	(2,659,236)
338 PST Rebate Receivable	(8,077,535)	(6,006,549)
TOTAL	(9,884,989)	(8,665,786)
341 Payroll Standing Advances	(3,240)	(4,544)
342 Other Employee Advances	(2,460)	(2,686)
343 Employee Expense Advances	0	0
344 Payroll Advances	(74)	(74)
345 Employee Purchases	7,771	(104,581)
TOTAL	1,997	(111,886)
346 Other Electric Revenue	(524,237)	0
TOTAL	(524,237)	0
349 Retirement Award Advance	(70,550)	(98,731)
TOTAL	(70,550)	(98,731)
352 Returns to Suppliers	(683,858)	(459,090)
TOTAL	(683,858)	(459,090)
352 Returns to Suppliers	683,858	459,090
353 Water Heater Loans Receiva	1,593,938	1,644,952
354 Other Receivables	2,256,887	1,929,058
TOTAL	4,534,683	4,033,101
354 Other Receivables	0	0
TOTAL	0	0
354 Other Receivables	0	0
TOTAL	0	0
354 Other Receivables	(289,048)	(300,490)
TOTAL	(289,048)	(300,490)
354 Other Receivables	(462,430)	0
TOTAL	(462,430)	0
354 Other Receivables	(295,068)	(512,831)
TOTAL	(295,068)	(512,831)
354 Other Receivables	(655,831)	(1,066,847)
TOTAL	(655,831)	(1,066,847)
354 Other Receivables	(507,374)	0
TOTAL	(507,374)	0
356 Receivable Marketing & Sal	1,300,027	1,491,989
TOTAL	1,300,027	1,491,989
Accounts Receivable - Other		
332 HST Rebate Receivable	9,670	14,809
TOTAL	9,670	14,809
337 Miscellaneous Receivables	(818,861)	(1,284,172)
TOTAL	(818,861)	(1,284,172)
337 Miscellaneous Receivables	1,807,454	2,659,236
TOTAL	1,807,454	2,659,236
338 PST Rebate Receivable	8,077,535	6,006,549
TOTAL	8,077,535	6,006,549
341 Payroll Standing Advances	3,240	4,544
342 Other Employee Advances	2,460	2,686
343 Employee Expense Advances	0	0
344 Payroll Advances	74	74

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
Current Period: DEC-10

Currency: CND
No specific Company requested

Acct	DEC-10	DEC-09
345 Employee Purchases	(7,771)	104,581
TOTAL	(1,997)	111,886
349 Retirement Award Advance	70,550	98,731
TOTAL	70,550	98,731
352 Returns to Suppliers	683,858	459,090
TOTAL	683,858	459,090
Unbilled revenue		
335 Large Customer Receivables	9,585,305	9,145,885
TOTAL	9,585,305	9,145,885
337 Miscellaneous Receivables	818,861	1,284,172
TOTAL	818,861	1,284,172
346 Other Electric Revenue	524,237	0
TOTAL	524,237	0
354 Other Receivables	0	0
TOTAL	0	0
354 Other Receivables	0	0
TOTAL	0	0
354 Other Receivables	289,048	300,490
TOTAL	289,048	300,490
354 Other Receivables	462,430	0
TOTAL	462,430	0
354 Other Receivables	295,068	512,831
TOTAL	295,068	512,831
354 Other Receivables	655,831	1,066,847
TOTAL	655,831	1,066,847
354 Other Receivables	507,374	0
TOTAL	507,374	0
355 Unbilled Revenue Receivabl	84,063,489	85,354,275
TOTAL	84,063,489	85,354,275
359 ARM Clearing	6,078	3,613
TOTAL	6,078	3,613
Due From Associated Companies		
391 Interco Rec.(Enercom)	0	0
392 Due from Emera En. Service	0	0
393 Long-Term Financing	0	0
394 Short-Term Subsidiary Trad	1,452,304	1,679,648
395 Interco.Rec.(Strait Energy	0	0
396 Interco.Rec.(NSP Pipeline)	0	0
397 Interco.Rec.(Holdings)	0	0
399 Long-Term Trade Receivable	0	0
TOTAL	1,452,304	1,679,648
Federal tax rebate receivable		
351 PUITTA Tax Rebate Receivab	0	0
TOTAL	0	0
HST receivable	0	0
Materials inventory		
360 Stores Inventory - C.S.	14,213,467	12,215,907
361 CSM & S INVENTORY ITEMS	0	0

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
Current Period: DEC-10

Currency: CND
No specific Company requested

Acct	DEC-10	DEC-09
362 Stores Inventory - Thermal	13,650,673	13,945,062
TOTAL	27,864,140	26,160,969
366 Stores Inventory (Project)	473,793	100,228
TOTAL	473,793	100,228
377 Other Inventory	12,103	12,103
TOTAL	12,103	12,103
Fuel inventory		
365 Coal Inventory	96,810,178	112,517,151
TOTAL	96,810,178	112,517,151
370 Bunker C Inventory	23,332,446	21,893,020
371 Propane Inventory	(35,866)	38,391
372 Diesel Inventory	3,095,850	2,848,540
373 Propane Inventory	0	0
374 Light Oil Inventory	339,617	331,703
375 Propane Fuel	0	0
376 Additives Inventory	731,276	627,797
TOTAL	27,463,323	25,739,451
378 Inv- Mercury Sorbent	1,610,423	1,062,437
TOTAL	1,610,423	1,062,437
Prepaid expenses		
380 Prepaid Expense - Grants	4,437,275	4,424,005
381 Prepaid Finance Issue Cost	0	0
382 Prepaid Workers Compensati	0	0
383 Prepaid Insurance	5,977	1
384 UARB Assessment Prepaid	0	0
385 Prepaid Occupancy Taxes	0	1
386 P.P.Prepaid Expenses	28,215	28,215
388 Prepaid Water Rentals	0	0
389 Other Prepaid Expenses	1,588,695	2,528,837
390 Cashiers Over/Short	0	0
TOTAL	6,060,162	6,981,059
Derivatives (Hedging)		
270 S/T Derivative Asset - Hed	24,745,481	19,396,079
TOTAL	24,745,481	19,396,079
Derivatives (HFT)		
272 S/T Asset - Trading Securi	6,290,981	8,908,366
TOTAL	6,290,981	8,908,366
	382,506,662	474,702,090
	3,890,468,697	3,360,362,024

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
Current Period: DEC-10

Date: 06-JUL-11 12:55:44

Currency: CND
No specific Company requested

Acct	DEC-10	DEC-09
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Common Shares		
750 Common Shares	984,659,099	934,659,098
TOTAL	984,659,099	934,659,098
Preferred Shares		
770 Preferred Shares	135,000,000	135,000,000
TOTAL	135,000,000	135,000,000
Accumulated other comprehensive income		
775 Accum. Other Comp. Income	10,773,731	(45,247,005)
TOTAL	10,773,731	(45,247,005)
Retained earnings		
001 001 Regular Labour	(114,130,003)	(106,745,193)
002 002 Overtime Labour	(18,573,246)	(13,842,061)
003 003 Sales Comm.Salaries	0	0
004 004 Term Labour	(7,809,936)	(7,330,886)
005 005 Loaned Op.Labour	7,107,569	6,659,594
006 006 Borrowed Operating Lab	(7,107,620)	(6,659,594)
007 007 Loaned Cap. Labour	25,393,080	18,476,034
008 008 Labour Clearing	(25,393,080)	(18,476,034)
009 Fuel- Mercury Sorbent	(7,625,437)	(451,957)
010 010 Office Supplies	(552,879)	(510,660)
011 011 Travel Expense	(3,181,138)	(2,723,150)
012 012 Materials	(10,976,804)	(12,654,929)
013 013 Contracts	(48,815,218)	(46,345,138)
014 014 Overtime Meals	(311,372)	(319,213)
015 015 Frt, Post & Delivery	(2,608,910)	(2,424,363)
016 016 Tools & Equipment	(516,504)	(606,688)
017 017 Chemicals	(610,326)	(781,161)
018 018 Gases	(233,253)	(274,490)
019 019 Water	(1,146,041)	(1,038,959)
020 020 Royalties, Easements,	(132,461)	(120,046)
021 021 Telephones	(2,042,454)	(1,749,338)
023 023 Data Communication Cir	(1,678,305)	(1,721,512)
025 025 Leasing	(147,584)	(76,845)
026 026 Sponsor & Other Donati	(496,796)	(635,014)
027 027 Corporate Filing Fees	(74,896)	(83,519)
028 028 Consulting	(14,875,125)	(8,335,758)
029 029 Membership Dues	(999,444)	(1,033,831)
030 030 Lubricants	(344,653)	(290,672)
031 031 Fleet Fuel	(3,260,872)	(2,984,761)
032 032 Subscrpt/Info.Software	(676,275)	(525,169)
033 033 Rental and Maintenance	(3,120,547)	(3,131,927)
034 034 Appl. Software	(62,211)	(126,664)
035 035 Comp.Hrdwr & Op.Sftwr	(75,706)	(209,915)
036 036 Directors' Fees & Expe	(1,003,526)	(588,105)

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
Current Period: DEC-10

Currency: CND
No specific Company requested

Acct	DEC-10	DEC-09
037 037 Ext. Legal & Audit	(4,904,884)	(6,373,234)
038 038 Annual Shareholder Mee	(153,363)	(248,731)
039 039 Donations	(1,052,742)	(1,580,128)
040 040 Advertising	(529,550)	(761,103)
041 041 Meals & Entertainment	(1,859,422)	(1,594,662)
042 042 Employee Benefits	(19,688,244)	(8,724,203)
043 043 Insurance	(4,306,788)	(3,676,520)
044 044 Energy Use (Non-Electr	(55,170)	(89,428)
045 045 Pensioner Benefits	(94,274)	(95,687)
046 046 Energy Use	(352,758)	(357,822)
047 047 COGS Material	(909,543)	(1,112,539)
048 048 COGS Installation	(513,555)	(604,528)
049 049 COGS Commissions	0	0
050 050 Rent	(4,347,511)	(4,259,805)
051 051 Gen.Cost Recovery	2,268,215	2,272,205
052 052 Non Reg.Cost Recovery	2,470,259	2,293,213
053 053 Internal Cost Recovery	0	0
054 054 Internal Serv. Receive	(324,269)	(264,616)
055 055 Warranty & Service Con	(287,828)	(197,702)
056 056 Training & Development	(945,020)	(1,145,783)
057 057 Corp. Support Transfer	4,980,691	4,005,264
058 058 Personal Equipment	(730,643)	(1,010,839)
059 059 Severance Costs	(90,692)	(81,932)
060 060 Commissions	(233,361)	(202,658)
061 061 Write-offs	(5,813,384)	(6,865,032)
062 062 Recoveries	1,667,563	1,738,084
063 063 Transmission Capacity	0	0
064 064 Customer Recovery	(63,672)	(26,218)
065 065 By-product Sales	1,101,109	844,599
066 066 Other Goods & Services	(3,264,537)	(1,663,822)
067 067 Provincial capital tax	(4,623,086)	(5,574,000)
068 068 Large corporations tax	0	0
069 069 Fuel - Gas Consumed	(177,478,050)	(181,088,679)
070 070 Fuel - Coal Consumed	(327,014,666)	(293,908,946)
071 071 Fuel - Bunker C Consum	3,778,714	5,247,300
072 072 Fuel - Diesel Oil Cons	(1,910,277)	(3,151,318)
073 073 Fuel - Light Oil Consu	(2,588,264)	(2,158,780)
074 074 Fuel - Additives Consu	(561,653)	(281,667)
075 075 Fuel - Limestone Consu	(4,159,658)	(5,616,616)
076 076 Purchased Power	(78,513,848)	(61,956,090)
077 077 Intercompany Finances	0	0
078 078 Defeasance earnings	0	0
079 FAM Incentive	(3,725,881)	5,000,000
080 080 Interest expense - Can	(177,683)	(64,009)
081 081 Foreign Exchange Expen	(8,949,705)	3,915,479
082 082 NSPI Bond Premium/Disc	(391,120)	(391,121)
083 083 Short-term interest	(1,483,507)	(861,556)
084 084 Bank Charges & Misc.In	(5,414,955)	(2,387,959)

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
Current Period: DEC-10

Currency: CND
No specific Company requested

Acct	DEC-10	DEC-09
085 085 Depreciation Expense	(150,758,841)	(143,950,576)
086 086 Income Tax Expense	(17,844,077)	(68,812,531)
087 087 Grants in Lieu of Taxe	(35,431,939)	(34,894,798)
088 088 NSPI Interest expense	(108,775,789)	(98,185,115)
089 089 NSPI Issue Cost Amorti	(1,364,578)	(1,404,704)
090 090 Defeasance Cost Amorti	(12,134,424)	(12,134,424)
091 091 Tax Assessment	(725,119)	(645,345)
092 092 Vehicle Allocated Cost	2,776,792	4,806,658
093 093 Interest Income	0	0
094 094 Interest Capitalized	20,937,344	6,453,725
095 095 Admin. Overheads	28,367,862	18,691,626
096 096 Capital Contributions	0	0
098 098 Salvage	0	0
099 099 Unusual Items (Deferra	101,446,328	(13,772,646)
100 Residential Revenue	516,347,423	530,899,743
101 Metered outdoor recreation	71,113	73,715
102 Residential - Accrued	(288,488)	2,412,479
105 Time of Use Revenue	14,438,152	13,523,499
106 Time of use - Accrued	383,700	349,570
110 Small General Revenue	30,590,776	31,079,391
112 Small General - Accrued	(264,879)	180,842
114 General Revenue	259,462,468	264,203,098
116 General - Accrued	(623,977)	1,268,788
118 Large General Revenue	36,221,464	37,116,754
120 Power Profile Revenue	0	0
125 Unmetered Revenue	24,336,667	24,507,615
127 Unmetered - Accrued	(75,422)	114,248
130 Small Industrial Revenue	25,730,282	25,868,315
132 Small Industrial - Accrued	(30,361)	67,202
135 Medium Industrial Revenue	44,326,629	45,160,961
137 Medium Industrial - Accrue	(350,653)	796,508
140 Large Industrial Revenue	24,554,515	27,451,312
142 TOU - Real-time price	0	0
143 2-P-RTP	0	0
145 Lg.Ind.Interrupt.Rider Rev	43,454,488	42,338,626
146 Surplus Power Interruptibl	0	0
147 Indust.Expansion Interrupt	0	0
148 TOD Industrial Expansion	0	0
150 Replacement/Load Following	1,227,642	651,522
151 Extra Lg. Indust. Interupt	0	0
152 ELI 2P-RTP	111,306,026	105,352,867
155 Bowater Mersey Revenue	8,453,260	7,890,939
156 Bowater Mersey additional	10,653,157	8,244,005
157 Bowater Expansion Load Rev	0	0
165 Municipal Revenue	16,848,592	17,631,841
169 Other Electric Rev	0	0
170 Grid Sales Revenue	486,275	894,856
171 Other Generation Revenue	0	0

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
Current Period: DEC-10

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Acct	DEC-10	DEC-09
172 Natural Gas Revenue	8,179,620	42,643,120
173 Retail Sales (Mark.& Sales	2,004,885	2,011,467
180 Rental Revenue	2,261,983	2,267,299
181 Connection Charges	1,651,224	1,699,870
182 Late Payment Charges	4,745,868	5,007,157
183 NSF Cheque Charges	52,899	56,167
184 Material Sales	0	0
185 Discounts taken	(350)	0
186 Collection Charges	(24)	5,012
188 OATT	14,442	7,462
189 189 Steam Sales	204,145	217,907
190 190 Misc. Revenue	10,119,208	8,198,283
191 191 Non-Reg. Business Reve	0	0
192 192 Accts Rec.Secur.	0	0
195 195 Gain/Loss on Asset Sal	0	0
196 196 Wiring Inspection Reve	3,103,708	2,949,475
TOTAL	128,761,029	118,570,274
199 199 Income Tax Rebate (PUI	0	0
TOTAL	0	0
780 Dividends - common shares	(100,000,000)	(126,000,000)
785 Dividends - preferred shar	(7,965,000)	(9,495,850)
786 Tax On Preferred Dividends	458,000	190,000
790 Share Issue Costs-Preferre	0	0
799 Retained Earnings	194,764,783	211,500,359
TOTAL	87,257,783	76,194,509
	1,346,451,643	1,219,176,876
Long-term debt		
251 Unamortized Issue Costs	(8,575,326)	(6,162,182)
TOTAL	(8,575,326)	(6,162,182)
400 Matching Notes Payable - C	0	0
420 Capital Lease Obligation	168,028	3,652,792
450 Matching Notes Payable - U	0	0
455 NSPI Debentures	1,705,000,000	1,505,000,000
TOTAL	1,705,168,028	1,508,652,792
Debt due within one year		
475 Debt due within one year	110,250	100,713,093
TOTAL	110,250	100,713,093
	1,696,482,452	1,401,777,516
	1,696,482,452	1,401,777,516
Derivatives (Hedging)		
526 L/T Derivative - Hedging	9,352,579	19,984,600
TOTAL	9,352,579	19,984,600

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Acct	DEC-10	DEC-09
Derivatives (HFT)		
528 L/T Liability Trading Secu	1,835,284	1,305,361
TOTAL	1,835,284	1,305,361
Site Restoration Reserve		
537 Site Restoration Reserve	138,710,752	101,516,636
TOTAL	138,710,752	101,516,636
Regulatory Liabilities		
690 Regulatory Liability	(324,452)	0
TOTAL	(324,452)	0
690 Regulatory Liability	31,344,636	28,228,255
691 Severance Payable	0	0
692 Incentive '97 ERIP	0	0
TOTAL	31,344,636	28,228,255
Other liabilities		
690 Regulatory Liability	324,452	0
TOTAL	324,452	0
693 LT Accrued Liability	500,000	1,250,000
TOTAL	500,000	1,250,000
Accrued Pension Liability	0	0
Deferred Income Tax Liabilities		
696 Deferred income tax liabil	133,835,285	0
TOTAL	133,835,285	0
FAM FIT Liability		
697 697 FAM FIT Liability	29,217,261	0
TOTAL	29,217,261	0
Current liabilities		
Bank indebtedness		
500 Bank Overdraft	1,556,034	4,924,585
503 Bank Loans	0	0
TOTAL	1,556,034	4,924,585
Short-term notes payable		
510 Short-term Notes Payable	288,424,048	194,627,730
TOTAL	288,424,048	194,627,730
520 Payable to Cdn Sinking Fun	0	0
TOTAL	0	0
Accounts payable - trade		
509 Procurement Cards Payable	1,118,168	1,102,934
TOTAL	1,118,168	1,102,934
530 Accounts Payable	11,016,037	12,406,830
531 Inter-Company Payable	0	0
532 Automatic Accrued Payables	12,910,201	9,292,566
533 Accrued Fuel Payable	24,794,569	29,516,960
535 Accrued Payables	77,519,866	84,576,850
536 Accounts Payable - Other	0	0

NOVA SCOTIA POWER
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Acct	DEC-10	DEC-09
TOTAL	126,240,673	135,793,206
539 Holdbacks Payable	22,221,586	8,618,466
TOTAL	22,221,586	8,618,466
551 Health/Dental Manulife	868,247	974,676
TOTAL	868,247	974,676
553 Life/AD&D Manulife	272,823	147,900
TOTAL	272,823	147,900
563 Charity Donations - Employ	(180,402)	(109,344)
564 Social Club Dues - Employe	0	0
TOTAL	(180,402)	(109,344)
569 Manulife LTD	333,485	296,831
TOTAL	333,485	296,831
581 Good Neighbour Energy Fund	52,135	90,173
582 Unclaimed Cheques	0	0
TOTAL	52,135	90,173
584 CIS Refund Clearing	30,658	30,015
585 Consumer Deposits	12,324,169	10,840,238
586 Accrued Interest on Consum	1,021,356	1,103,007
587 Collections for Charities	0	0
588 Power Producer Deposits	0	0
589 Water Rentals Payable	915,522	910,438
590 Accrued Audit Fees	0	0
TOTAL	14,291,705	12,883,698
594 Accrued Workers Compensati	0	0
TOTAL	0	0
Accounts payable - non- trade		
540 Payroll Clearing	2,933	0
541 CPP Payable - Employee	86,484	0
542 WCB Payable	10,012	3
545 UIC Payable - Employee	32,613	0
546 UIC Payable - Employer	0	0
548 Income Tax Payable - Payro	1,807,944	15,884
550 Health Plan Contributions	0	0
TOTAL	1,939,985	15,886
552 Group Life Insurance Payab	0	0
TOTAL	0	0
554 Pension Deductions - Emplo	58,775	65,348
555 Pension Contributions - Em	0	0
556 Pension Contributions Empl	0	0
557 TFSA Contributions	1,171	820
558 RRSP Contributions - Emplo	1,435	8,732
560 Canada Savings Bonds Payab	8,672	10,649
561 Fitness Club Memberships -	0	0
562 Credit Union Deductions -	(10)	(10)
TOTAL	70,043	85,539
565 Union Dues - Employees	94,478	29,075
566 Common Share Purchase Plan	391,036	306,619
567 Directors' Share Purch.Pro	1,803,973	1,201,443

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BALANCE SHEET LEAD SHEETS
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Acct	DEC-10	DEC-09
568 Long-term Salary Continuan	0	0
TOTAL	2,289,488	1,537,137
570 Payroll Deduction - Hospit	0	0
571 Other Payroll Deductions -	7,583	(4,993)
TOTAL	7,583	(4,993)
575 HST	6,954,542	5,980,789
577 Provincial Sales Tax	0	0
578 Pension Plan Payable-NSLP	0	0
579 Pension Plan Payable-NSPC	0	0
580 Pension Plan Payable-NSPI	0	(122,242)
TOTAL	6,954,542	5,858,547
583 Unidentified Cash	55,707	601,829
TOTAL	55,707	601,829
591 Accrued Vacation Pay	3,301,939	3,151,152
592 Accrued Payroll	2,713,442	2,384,353
593 Accrued Labour- Operations	0	0
TOTAL	6,015,380	5,535,505
595 Accrued Incentive	5,803,542	6,797,938
596 Other Accrued Payables	3,134,611	3,873,422
597 Short-term accrued interes	335,700	33,276
598 Warranties - Marketing & S	0	0
599 DSU/RSU Liability	6,968,128	4,944,787
TOTAL	16,241,981	15,649,423
Accrued pension liability	0	0
Income taxes payable		
600 Income tax payable	(40,627,675)	1,242,662
TOTAL	(40,627,675)	1,242,662
Dividends payable		
610 Dividends payable	1,681,500	1,681,500
TOTAL	1,681,500	1,681,500
Derivatives (Hedging)		
525 S/T Derivative Liability -	2,160,176	53,006,422
TOTAL	2,160,176	53,006,422
Derivatives (HFT)		
527 S/T Liability Trading Secu	20,798,769	12,227,881
TOTAL	20,798,769	12,227,881
Accrued interest on long-term debt		
625 Accrued Interest Payable -	2,660	4,300
630 Accrued Interest - US $	0	0
635 Accrued Interest - NSPI	29,839,916	29,617,192
TOTAL	29,842,576	29,621,491
Debt due within one year		
475 Debt due within one year	110,250	100,713,093
TOTAL	110,250	100,713,093
	502,738,807	587,122,779

NOVA SCOTIA POWER
BALANCE SHEET LEAD SHEETS
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Acct	DEC-10	DEC-09
	3,890,468,697	3,360,362,024