

IN THE MATTER OF: The *Companies Act*, R.S.N.S. 1989, c. 81, as amended
(the **Act**)

- and -

IN THE MATTER OF: Emera Incorporated and Nova Scotia Power Incorporated

ORDER

(Section 123)

UPON the application of Emera Incorporated (**Emera**) and Nova Scotia Power Incorporated (**NSPI**, together with Emera, the **Applicants**) to the Nova Scotia Securities Commission (the **Commission**) for an order pursuant to clause 123(b) of the Act that each of the Applicants be exempt from the requirement contained in subsection 122(1) of the Act that the Applicant's annual financial statements be prepared in accordance with generally accepted accounting principles determined with reference to the Handbook of the Canadian Institute of Chartered Accountants (**CGAAP**);

AND UPON reading the application and the recommendation of staff of the Commission;

AND UPON the Applicants having represented to the Commission that:

1. Each Applicant is a company incorporated under and governed by the Act. The head office of Emera is located at 5151 Terminal Road, Halifax, Nova Scotia, B3J 1A1 and the head office of NSPI is located at 1223 Lower Water Street, Halifax, Nova Scotia, B3J 3S8.
2. Each Applicant is a reporting issuer in each province of Canada and is not in default of securities legislation in any such province.
3. Emera is a geographically diverse energy and services company headquartered in Halifax, Nova Scotia with approximately \$34 billion in total assets and revenues of \$5.8 billion in 2021. Emera owns and operates cost-of service rate-regulated electric and gas utilities in the United States, Canada and the Caribbean. Approximately 95% of Emera's 2021 adjusted net income excluding net loss came from regulated investments, including NSPI. Emera's strategic focus continues to be safely delivering cleaner, affordable and reliable energy to its customers.
4. NSPI has \$6.1 billion in total assets and is the primary electricity supplier in Nova Scotia, providing 95% of the electricity generation, transmission and distribution to approximately 536,000 residential, commercial and industrial customers.
5. Prior to January 1, 2011, the financial statements of each Applicant were prepared in accordance with CGAAP as it existed prior to the adoption of International Financial Reporting Standards (**IFRS**), which permitted the use of specific rate-regulated accounting

treatments consistent with the then-current version of Part V of the Handbook of the Canadian Institute of Chartered Accountants. These specific rate-regulated accounting treatments were supported by specific regulatory decisions and treatments prescribed by utilities regulators, including the Nova Scotia Utility and Review Board (**UARB**), which oversees NSPI's accounting policies. Emera's consolidated financial statements include the financial statements of NSPI and Emera's other regulated subsidiaries (of which all material regulated subsidiaries use rate-regulated accounting), and therefore are significantly influenced by rate-regulated accounting treatments.

6. Owing to significant continuing uncertainty around the treatment under IFRS of entities with rate-regulated activities, each Applicant has opted, beginning with its 2011 fiscal year, to prepare and report its financial statements in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**). U.S. GAAP, including its treatment of rate-regulated accounting, is very similar to pre-IFRS CGAAP and is a standard with which equity and debt investors, financial institutions (including bank lenders), analysts, credit rating agencies and utility regulators are familiar and comfortable. The UARB has supported and approved NSPI's use of U.S. GAAP, and Emera's existing debt indentures and agreements require the filing of U.S. GAAP financial statements.
7. To facilitate the U.S. GAAP reporting, each of the Applicants has previously applied for and been granted exemptions in 2014, 2018 and 2022 from the requirements of Section 3.2 of NI 52-107. The current exemption was granted on September 13, 2022 (the **Securities Law Relief**).
8. Each of the Applicants applied for and was granted on July 18, 2018 an exemption from the requirement contained in subsection 122(1) of the Act that its annual financial statements be prepared in accordance with CGAAP (the **Existing Order**).
9. The previous Securities Law Relief was, and the Existing Order is, subject to a sunset provision under which the exemption expires at the end of each of the Applicant's 2023 financial year. The recently granted Securities Law Relief permits each of the Applicants to continue to prepare its financial statements in accordance with U.S. GAAP and will terminate in respect of an Applicant on the earliest of the following:
 - (i) January 1, 2027;
 - (ii) if the Applicant ceases to have rate-regulated activities, the first day of the Applicant's financial year that commences after the Applicant ceases to have rate-regulated activities; and
 - (iii) the first day of the Applicant's financial year that commences on or following the later of:
 - (A) the effective date prescribed by the International Accounting Standards Board (**IASB**) for the mandatory application of a standard

within IFRS specific to entities with rate-regulated activities (a **Mandatory Rate-regulated Standard**); and

- (B) two years after the IASB publishes the final version of a Mandatory Rate-regulated Standard.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest and that in the circumstances of this particular case, there is adequate justification for so doing;

IT IS ORDERED that the Existing Order is revoked.

AND IT IS ORDERED, pursuant to clause 123(b) of the Act, that each of the Applicants is exempt from the requirement contained in subsection 122(1) of the Act that the Applicant's annual financial statements be prepared in accordance with CGAAP provided that:

- (a) the Applicant prepares its annual financial statements in accordance with U.S. GAAP; and
- (b) the exemption in this order will terminate in respect of an Applicant on the earliest of the following:
 - (i) January 1, 2027;
 - (ii) if the Applicant ceases to have rate-regulated activities, the first day of the Applicant's financial year that commences after the Applicant ceases to have rate-regulated activities; and
 - (iii) the first day of the Applicant's financial year that commences on or following the later of:
 - A. the effective date prescribed by the IASB for the Mandatory Rate-regulated Standard ; and
 - B. two years after the IASB publishes the final version of a Mandatory Rate-regulated Standard.

DATED at Halifax, Nova Scotia, this 12th day of October, 2022.

NOVA SCOTIA SECURITIES COMMISSION

(signed) "Paul E. Radford"
Paul E. Radford, K.C.
Chair