

Headnote

Application for relief from the requirement contained in subsection 122(1) of the Companies Act (Nova Scotia) that the reporting issuer's annual financial statements be prepared in accordance with Canadian GAAP - Reporting issuer is a "qualifying entity" as defined in section 5.4(2) of NI 52-107 and will prepare its financial statements in accordance with U.S. GAAP - Relief granted subject to conditions.

Applicable Legislative Provisions

Companies Act, R.S.N.S. 1989, c. 81, as amended, ss. 122 and 123.

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

ORDER

(Section 123)

UPON the application of Emera Incorporated ("Emera", or the "Applicant") to the Nova Scotia Securities Commission (the "Commission") for an order pursuant to clause 123(b) of the Act that the Applicant 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 Applicant having represented to the Commission that:

1. The Applicant is a corporation incorporated under and governed by the Act. The head office of the Applicant is located at 1223 Lower Water Street, Halifax, Nova Scotia B3J 3S8.
2. The Applicant is a reporting issuer in all of the provinces of Canada, and is not in default of securities legislation in any of the provinces.

3. The authorized capital of Emera consists of an unlimited number of common shares, first preferred shares and second preferred shares. As at December 31, 2011, 122,830,101 common shares, 6.0 million Series A First Preferred Shares and no second preferred shares were outstanding. Emera's common shares and Series A First Preferred Shares are listed and posted for trading on the Toronto Stock Exchange.
4. As at December 31, 2011, Emera had \$725.0 million aggregate principal amount of unsecured medium term notes outstanding (the "Emera Debt"). The Emera Debt has been issued pursuant to various prospectus offerings.
5. Emera is an energy and services company with \$6.9 billion in assets and 2011 revenues of \$2.1 billion. The company invests in electricity generation, transmission and distribution, as well as gas transmission and utility energy services. Emera's strategy is focused on the transformation of the electricity industry to cleaner generation and the delivery of that clean energy to market. Emera has investments throughout northeastern North America, in three Caribbean countries and in California. Approximately 85% of Emera's net income is earned by its rate-regulated subsidiaries, including Nova Scotia Power Incorporated ("NSPI"). NSPI provides more than 95% of the generation, transmission and distribution of electric power in the Province of Nova Scotia.
6. Prior to January 1, 2011, the financial statements of the Applicant were historically prepared in accordance with CGAAP, which permitted the use of specific rate-regulated accounting treatments consistent with Part V of the Handbook of the Canadian Institute of Chartered Accountants (the "CICA Handbook"). Further, these specific rate-regulated accounting treatments are supported by specific regulatory decisions and treatments prescribed by utilities regulators, including the Nova Scotia Utility and Review Board which oversees NSPI's accounting policies. Under Part V of the CICA Handbook, rate regulated utilities are permitted to record regulatory assets and/or liabilities to reflect the economic substance of the rate making policies, decisions and mechanisms of the governing utilities regulator. Emera's consolidated financial statements are substantially derived from the financial statements of NSPI and its other regulated subsidiaries (of which many use rate regulated accounting), and thus are significantly influenced by rate regulated accounting treatments.
7. Pursuant to Part 3 of National Instrument 52-107 – *Acceptable Accounting Principles and Accounting Standards* ("NI 52-107"), effective for fiscal years beginning on or after January 1, 2011, most reporting issuers that are neither "foreign issuers" (as defined in NI 52-107) nor SEC issuers (as defined in NI 52-107) are required to prepare and report their financial statements in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board ("IFRS").

8. Section 5.4 of NI 52-107 defers the application of Part 3 of NI 52-107 to “qualifying entities” for a period of one year until fiscal years beginning on or after January 1, 2012. A “qualifying entity” is defined in section 5.4(2) of NI 52-107 as a person or company that has activities subject to rate regulation, as defined in Part V of the CICA Handbook, and is permitted under CGAAP to apply Part V of the CICA Handbook.
9. The Applicant is a “qualifying entity” for the purposes of section 5.4 of NI 52-107, although the Applicant opted not to avail itself of the one year deferral.
10. Section 3.7 of NI 52-107 permits an SEC issuer to prepare and report its financial statements in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).
11. On February 23, 2011, Emera became a SEC issuer. As a result, the Applicant was permitted under Section 3.7 of NI 52-107 to prepare and report its financial statements in accordance with U.S. GAAP.
12. The Applicant intends to cease to be an SEC issuer by June 30, 2012.
13. Once the Applicant ceases to be an SEC issuer, it will not be able to rely on Section 3.7 of NI 52-107 to prepare and report its financial statements in accordance with U.S. GAAP.
14. On May 17, 2012, the Director of Securities granted the Applicant an exemption from Section 3.2 of NI 52-107 to permit the Applicant to prepare its financial statements in accordance with U.S. GAAP for its financial years that begin on or after January 1, 2012, but before January 1, 2015, and interim periods therein.
15. In preparing financial statements in accordance with U.S. GAAP, the Applicant is availing itself of the exemption in subsection 122(1A) of the Act, as the Applicant has registered certain of its securities under the U.S. Securities Act of 1933, as amended. When the Applicant ceases to be an SEC issuer, it will no longer be able to rely on this exemption to continue to present its financial statements in accordance with U.S. GAAP.

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, pursuant to clause 123(b) of the Act, that the Applicant 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 ceases to be an SEC issuer by June 30, 2012;
- (b) for its financial years commencing on or after January 1, 2012, but before January 1, 2015, and interim periods therein, the Applicant files its financial statements in accordance with U.S. GAAP;
- (c) information for comparative periods presented in the financial statements referred to in paragraph (b) is prepared in accordance with U.S. GAAP; and
- (d) the exemption in this order will terminate in respect of the Applicant's financial statements for annual and interim periods commencing on or after the earlier of:
 - (i) January 1, 2015; and
 - (ii) the date on which the Applicant ceases to have "activities subject to rate regulation" as defined in the CICA Handbook as at the date of this order.

DATED at Halifax, Nova Scotia, this 30th day of May, 2012.

"Sarah Bradley"
Sarah Bradley
Chair