NOVA SCOTIA POWER INC.

Consolidated Financial Statements

December 31, 2023 and 2022

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Nova Scotia Power Inc. (“NSPI” or “the Company”) and the information in the Management’s Discussion & Analysis (“MD&A”) are the responsibility of management and have been approved by the Board of Directors (“Board”).

The consolidated financial statements have been prepared by management in accordance with United States Generally Accepted Accounting Principles. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. In preparation of these consolidated financial statements, estimates are sometimes necessary when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Management represents that such estimates, which have been properly reflected in the accompanying consolidated financial statements, are based on careful judgements and are within reasonable limits of materiality. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented in the MD&A and has ensured that it is consistent with that in the consolidated financial statements.

NSPI maintains effective systems of internal accounting and controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is reliable and accurate, and that NSPI’s assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Board meets periodically with management, internal auditors and with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the MD&A, the consolidated financial statements and the external auditors' report. The Board also considers, for review and approval by the shareholders, the appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian Generally Accepted Auditing Standards. Ernst & Young LLP has full and free access to the Board.

February 26, 2024

“Peter Gregg”
President and Chief Executive Officer

“Greg Blunden”
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Nova Scotia Power Inc.

Opinion

We have audited the consolidated financial statements of Nova Scotia Power Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and the consolidated results of its operations and its consolidated cash flows for the years then ended in accordance with United States generally accepted accounting principles ("USGAAP").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with USGAAP, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP
Chartered Professional Accountants

Halifax, Canada
February 26, 2024

Nova Scotia Power Inc.
Consolidated Statements of Income

For the millions of dollars	Year ended December 31 2023	2022
Operating revenues (note 4)	**$ 1,671**	$ 1,675
Operating expenses		
Fuel for generation and purchased power (notes 15 and 16)	**777**	950
Fuel adjustment mechanism ("FAM") and other deferrals (note 5)	**(98)**	(147)
Operating, maintenance and general ("OM&G")	**350**	293
Demand side management ("DSM")	**50**	41
Provincial grants and taxes	**45**	43
Depreciation and amortization	**276**	259
Total operating expenses	**1,400**	1,439
Income from operations	**271**	236
Other income, net	**(32)**	(24)
Interest expense, net (note 6)	**170**	136
Income before provision for income taxes	**133**	124
Income tax recovery (note 7)	**(8)**	(7)
Net income	**$ 141**	$ 131

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

Nova Scotia Power Inc.
Consolidated Statements of Comprehensive Income

For the millions of dollars	Year ended December 31 2023	2022
Net income	**$ 141**	$ 131
Other Comprehensive (Loss) Income		
Net change in unrecognized pension and post-retirement costs (note 8)	**(41)**	23
Comprehensive income	**$ 100**	$ 154

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

Nova Scotia Power Inc.
Consolidated Balance Sheets

As at millions of dollars		**December 31 2023**		December 31 2022
Assets				
Current assets				
Cash	**$**	**78**	$	2
Receivables, net (note 9)		**430**		375
Inventory (note 10)		**345**		287
Derivative instruments (notes 11 and 12)		**9**		165
Regulatory assets (note 5)		**61**		22
Prepaid expenses		**25**		19
Total current assets		**948**		870
Property, plant and equipment, net of accumulated depreciation of $3,350 and $3,256 respectively (note 13)		**4,779**		4,589
Other assets				
Income taxes receivable		**82**		78
Derivative instruments (notes 11 and 12)		**2**		49
Pension and post-retirement asset (note 14)		**90**		97
Regulatory assets (note 5)		**1,238**		1,068
Other long-term assets (note 15)		**82**		91
Total other assets		**1,494**		1,383
Total assets	**$**	**7,221**	$	6,842
Liabilities and Equity				
Current liabilities				
Accounts payable	**$**	**183**	$	342
Due to related parties (note 16)		**13**		3
Income taxes payable		**1**		5
Derivative instruments (notes 11 and 12)		**56**		14
Regulatory liabilities (note 5)		**12**		180
Pension and post-retirement liabilities (note 14)		**8**		7
Other current liabilities (note 17)		**132**		260
Total current liabilities		**405**		811
Long-term liabilities				
Long-term debt (note 18)		**3,868**		3,530
Due to related parties (note 16)		**110**		80
Deferred income taxes (note 7)		**674**		655
Derivative instruments (notes 11 and 12)		**21**		9
Regulatory liabilities (note 5)		**3**		49
Asset retirement obligations (note 19)		**132**		109
Pension and post-retirement liabilities (note 14)		**68**		63
Other long-term liabilities (note 15)		**40**		44
Total long-term liabilities		**4,916**		4,539
Equity				
Common stock, no par value, unlimited shares authorized, 173.4 and 142.6 million shares issued and outstanding, respectively		**1,597**		1,289
Accumulated other comprehensive loss ("AOCL") (note 8)		**(78)**		(37)
Retained earnings		**381**		240
Total equity		**1,900**		1,492
Total liabilities and equity	**$**	**7,221**	$	6,842

Commitments and contingencies (note 20)

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

Approved on behalf of the Board of Directors

"Scott Balfour"
Chair of the Board

"Peter Gregg"
President and Chief Executive Officer

Nova Scotia Power Inc.
Consolidated Statements of Cash Flows

For the millions of dollars	Year ended December 31 **2023**	2022
Operating activities		
Net income	**$ 141**	$ 131
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**277**	261
Allowance for equity funds used during construction	**(6)**	(6)
Deferred income taxes, net	**(8)**	(6)
Net change in pension and post-retirement obligations	**(28)**	(18)
FAM	**(88)**	(162)
Other operating activities, net	**(10)**	(53)
Changes in non-cash working capital:		
Receivables, net	**(55)**	(95)
Income taxes receivable	**(4)**	(34)
Inventory	**(58)**	(86)
Prepaid expenses	**(6)**	(4)
Due from/to related parties	**10**	(9)
Accounts payable	**(150)**	74
Income taxes payable	**(4)**	3
Other current liabilities	**(127)**	170
Net cash (used in) provided by operating activities	**(116)**	166
Investing activities		
Additions to property, plant and equipment	**(426)**	(464)
Allowance for borrowed funds used during construction	**(5)**	(5)
Removal of assets from service, net of salvage	**(24)**	(44)
Proceeds from sale of assets	**6**	-
Net cash used in investing activities	**(449)**	(513)
Financing activities		
Change in bank indebtedness	**-**	(1)
Proceeds from long-term debt	**500**	-
Net (repayments) borrowings under committed credit facility	**(160)**	505
Issuance of common stock	**308**	-
Dividends on common stock	**-**	(150)
Payments on long-term payable	**(5)**	(5)
Other financing activities	**(2)**	-
Net cash provided by financing activities	**641**	349
Net change in cash	**76**	2
Cash, beginning of year	**2**	-
Cash, end of year	**$ 78**	$ 2
Supplemental disclosure of cash paid:		
Interest	**$ 193**	$ 147
Income taxes (1)	**$ 30**	$ 55
Supplemental disclosure of non-cash activity:		
(Decrease) increase in accrued capital expenditures	**$ (8)**	**$** 23

(1) Income taxes paid includes $30 million (2022 – $23 million) of Part VI.1 tax that is transferred from, and fully funded by, Emera Incorporated (“Emera”).

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

Nova Scotia Power Inc.
Consolidated Statements of Changes in Equity

millions of dollars	Common Stock	AOCL	Retained Earnings	Total Equity
Balance, December 31, 2022	**$ 1,289**	**$ (37)**	**$ 240**	**$ 1,492**
Net income	-	-	141	141
Other comprehensive loss	-	(41)	-	(41)
Issuance of common stock	308	-	-	308
Balance, December 31, 2023	**$ 1,597**	**$ (78)**	**$ 381**	**$ 1,900**

millions of dollars	Common Stock	AOCL	Retained Earnings	Total Equity
Balance, December 31, 2021	$ 1,289	$ (60)	$ 259	$ 1,488
Net income	-	-	131	131
Other comprehensive income	-	23	-	23
Dividends declared on common stock	-	-	(150)	(150)
Balance, December 31, 2022	$ 1,289	$ (37)	$ 240	$ 1,492

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

Nova Scotia Power Inc.
Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Nova Scotia Power Inc. (“NSPI” or the “Company”) is a vertically integrated regulated electric utility. It is the primary electricity supplier in Nova Scotia, Canada, providing electricity generation, transmission and distribution services to approximately 549,000 customers. NSPI is a public utility as defined in 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 by the UARB.

NSPI is a wholly owned subsidiary of Emera. NSPI holds a 100 per cent investment in NS Power Energy Marketing Incorporated (“NSPEMI”), an energy business that purchases and sells electricity and natural gas in the United States (“US”) energy commodity market. Intercompany balances and intercompany transactions have been eliminated on consolidation.

Basis of Presentation

These consolidated financial statements are prepared and presented in accordance with United States Generally Accepted Accounting Principles (“USGAAP”) and in the opinion of management, include all adjustments that are of a recurring nature and necessary to fairly state the financial position of NSPI.

All dollar amounts are presented in Canadian dollars (“CAD”), unless otherwise indicated.

Principles of Consolidation

These consolidated financial statements include the accounts of NSPI and its wholly-owned subsidiary, NSPEMI.

The Company performs ongoing analysis to assess whether it holds any variable interest entities (“VIE”). To identify potential VIEs, management reviews contractual and ownership arrangements such as leases, long-term purchase power agreements, tolling contracts, guarantees, jointly owned facilities and equity investments. The primary beneficiary of a VIE has both the power to direct the activities of the entity that most significantly impact its economic performance and the obligation to absorb losses of the entity that could potentially be significant to the entity.

Use of Management Estimates

The preparation of consolidated financial statements in accordance with USGAAP requires management to make estimates and assumptions. These may affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to rate-regulated assets and liabilities, accumulated reserve for cost of removal, pension and post-retirement benefits, unbilled revenue, useful lives for depreciable assets, income taxes, asset retirement obligations (“ARO”), and valuation of financial instruments. Management evaluates the Company’s estimates on an ongoing basis based upon historical experience, current and expected 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.

Regulatory Matters

Regulatory accounting applies where rates are established by, or subject to approval by, an independent third-party regulator. The rates are designed to recover prudently incurred costs of providing the regulated products or services and provide an opportunity for a reasonable rate of return on invested capital, as applicable (refer to note 5 for additional details).

Foreign Currency Translation

Monetary assets and liabilities, denominated in foreign currencies, are converted to CAD at the 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.

Revenue Recognition

Regulated electric revenue:
Electric revenues, including energy charges, demand charges, basic facilities charges and clauses and riders, are recognized when obligations under the terms of a contract are satisfied, which is when electricity is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the electricity. Electric 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 metered usage, which occurs on a periodic, systematic basis, generally monthly or bi-monthly. At the end of each reporting period, the electricity delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized. The Company's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of megawatt hours ("MWh") delivered to customers at the established rates expected to prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of energy demand, weather, line losses and inter-period changes to customer classes.

Other:
Other revenues are recorded when obligations under the terms of the contract are satisfied.

Property, Plant and Equipment

Property, plant, and equipment ("PP&E") is recorded at original cost, including allowance for funds used during construction ("AFUDC") or capitalized interest, net of contributions received in aid of construction.

The cost of additions, including betterments and replacements of units are included in "PP&E" on the Consolidated Balance Sheets. When units of regulated PP&E are replaced, renewed, or retired, their cost, plus removal or disposal costs, less salvage proceeds, is charged to accumulated depreciation, with no gain or loss reflected in income.

The cost of PP&E represents the original cost of materials, contracted services, direct labour, AFUDC for regulated property or interest for non-regulated property, ARO and overhead attributable to the capital project. Overhead includes costs related to support functions, employee benefits, insurance, procurement, and fleet operating and maintenance.

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

Depreciation is determined by the straight-line method, based on the estimated remaining service lives of the depreciable assets in each functional class of depreciable property. The service lives of assets are determined based on formal depreciation studies and are approved by the UARB. The last depreciation study was completed in 2010.

Intangible assets, which are included in "PP&E" on the Consolidated Balance Sheets, consist primarily of land rights and computer software with definite lives. Amortization is determined by the straight-line method, based on the estimated remaining service lives of the assets in each category. The estimated service lives of intangible assets requires regulatory approval.

Allowance for Funds Used During Construction

AFUDC represents the cost of financing regulated construction projects and is capitalized to the cost of PP&E until the asset is operational. The Company includes an equity cost component in AFUDC, in addition to a charge for borrowed funds. AFUDC is a non-cash item and cash is realized under the rate-making process over the service life of the related PP&E through future revenues resulting from a higher rate base and recovery of higher depreciation expense. The component of AFUDC attributable to borrowed funds is included as a reduction to "Interest expense, net", while the equity component is included as a reduction to "Other expenses, net". AFUDC is calculated using a weighted average cost of capital, as per the method of calculation approved by the UARB and is compounded semi-annually.

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 consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are determined based on the difference between the carrying value of assets and liabilities on the Consolidated Balance Sheets and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in income tax rates on deferred income tax assets and liabilities is recognized in the period when the change is enacted. NSPI recognizes the effect of income tax positions only when it is more likely than not that they will be realized. Management reviews all readily available current and historical information, including forward-looking information, and the likelihood that deferred income tax assets will be recovered from future taxable income is assessed and assumptions about the expected timing of the reversal of deferred income tax assets and liabilities are made. If management subsequently determines that it is likely that some or all of a deferred income tax asset will not be realized, then a valuation allowance is recorded to reflect the amount of the deferred income tax asset expected to be realized.

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 collects income taxes from customers based on income tax that is currently payable except for the deferred income taxes on certain regulatory balances specifically prescribed by the UARB. For the balance of regulated deferred income taxes, NSPI recognizes regulatory assets or liabilities where the deferred income taxes are expected to be recovered from or returned to customers in future years. These regulated assets or liabilities are grossed up using the respective income tax rate to reflect the income tax associated with future revenues that are required to fund these deferred income tax liabilities, and the income tax benefits associated with reduced revenues resulting from the realization of deferred income tax assets.

NSPI classifies interest and penalties associated with unrecognized tax benefits in the Consolidated Statements of Income as "Interest expense, net" and "OM&G", respectively. Refer to note 7 for further details.

Derivatives and Hedging Activities

NSPI's risk management policies and procedures provide a framework through which management monitors various risk exposures. The risk management policies and practices are overseen by the Board of Directors. The Company has established several processes and practices to identify, monitor, report on and mitigate material risks to the Company. A corporate team independent from operations is responsible for tracking to report on market and credit risks.

The Company manages its exposure to normal operating and market risks relating to commodity prices, and foreign exchange through contractual protections with counterparties where practicable, and by using financial instruments consisting mainly of foreign exchange forwards and swaps, and coal, oil, natural gas and purchased power, options, forwards, and swaps. Collectively, these contracts are considered derivatives.

The Company recognizes the fair value of all its derivatives on its balance sheet, except for non-financial derivatives that meet the normal purchases and normal sales ("NPNS") exception. Physical contracts that meet the NPNS exception are not recognized on the balance sheet; these contracts are recognized in income when they settle. 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, the Company intends to receive physical delivery of the commodity, and the Company deems the counterparty creditworthy. NSPI continually assesses contracts designated under the NPNS exception and will discontinue the treatment of these contracts under this exemption where the criteria are no longer met.

Derivatives entered into by NSPI, that are documented as economic hedges or for which the NPNS exception has not been taken, are subject to regulatory accounting treatment, as approved by the UARB. These derivatives are recorded at fair value on the balance sheet as derivative assets or liabilities. The change in fair value of the derivatives is deferred to a regulatory asset or liability. The gain or loss is recognized in the hedged item when the hedged item is settled. The UARB has approved that any gains or losses resulting from settlement of these derivatives related to fuel for generation and purchased power will be refunded to or collected from customers in future rates through the FAM.

Derivatives that do not meet any of the above criteria are designated as held-for-trading ("HFT"), with changes in fair value normally recorded in net income of the period. The Company has not elected to designate any derivatives to be included in the HFT category where another accounting treatment would apply.

NSPI classifies gains and losses on derivatives as a component of fuel for generation and purchased power, other expenses, inventory, OM&G and PP&E, 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 Consolidated Statements of Cash Flows. Non-hedged derivatives are included in operating cash flows on the Consolidated Statements of Cash Flows.

Derivatives, as reflected on the Consolidated 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".

Leases

NSPI determines whether a contract contains a lease at inception by evaluating if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NSPI has leases with independent power producers ("IPP") and other utilities with annual requirements to purchase wind and hydro energy over varying contract lengths that are classified as finance leases. These finance leases are not recorded on NSPI's Consolidated Balance Sheets as payments associated with the leases are variable in nature and there are no minimum fixed lease payments. Lease expense associated with these leases is recorded as "Fuel for Generation and Purchased Power" on the Consolidated Statements of Income.

Operating lease liabilities and right-of-use assets are recognized on the Consolidated Balance Sheets based on the present value of the future minimum lease payments over the lease term at the commencement date. As most of NSPI's leases do not provide an implicit rate, the incremental borrowing rate at the commencement of the lease is used in determining the present value of future lease payments. Lease expense is recognized on a straight-line basis over the lease term and is recorded as "OM&G" on the Consolidated Statements of Income.

Where NSPI is the lessor, a lease is a sales-type lease if certain criteria are met and the arrangement transfers control of the underlying asset to the lessee. For arrangements where the criteria are met due to the presence of a third-party residual value guarantee, the lease is a direct financing lease.

For direct finance leases, a net investment in the lease is recorded that consists of the sum of the minimum lease payments and residual value, net of estimated executory costs and unearned income. The difference between the gross investment and the cost of the leased item is recorded as unearned income at the inception of the lease. Unearned income is recognized in income over the life of the lease using a constant rate of interest equal to the internal rate of return on the lease.

For sales-type leases, the accounting is similar to the accounting for direct finance leases, however the difference between the fair value and the carrying value of the leased item is recorded at lease commencement rather than deferred over the term of the lease.

NSPI has certain contractual agreements that include lease and non-lease components, which management has elected to account for as a single lease component for all leases.

Receivables and Allowance for Credit Losses

Customer receivables are recorded at the invoiced amount and do not bear interest. Standard payment terms for electricity sales are 30 days for bi-monthly customers and 20 days for monthly customers. A late payment fee may be assessed on account balances after the due date.

The Company recognizes allowances for credit losses to reduce accounts receivable for amounts expected to be uncollectable. Credit risk assessments are conducted on all new customers and deposits are requested on any high-risk accounts in accordance with the Company's policy. The Company also maintains provisions for expected credit losses, which are assessed on a regular basis.

Management estimates credit losses related to accounts receivable by considering historical loss experience, current events, characteristics of existing accounts and reasonable and supportable forecasts that affect the collectability of the reported amount. Provisions for credit 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.

Inventory

Fuel and materials inventories are valued at the lower of cost or net realizable value, unless evidence indicates that the weighted-average cost will be recovered in future customer rates.

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 is less than the carrying value of the asset, the asset is written down to fair value.

The review of long-lived assets for impairment involves comparing the undiscounted expected future cash flows to the carrying value of the asset. When the undiscounted cash flow analysis indicates a long-lived asset is not recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset over its estimated fair value. The Company's assumptions relating to future results of operations or other recoverable amounts are based on a combination of historical experience, fundamental economic analysis, observable market activity and independent market studies. The Company's expectations regarding uses and holding periods of assets are based on internal long-term budgets and projections, which give consideration to external factors and market forces, as of the end of each reporting period. The assumptions made are consistent with generally accepted industry approaches and assumptions used for valuation and pricing activities.

Asset Retirement Obligations

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. The present value of the liability is recorded and 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". Differences between accretion expense recognized for rate regulatory purposes and USGAAP, and accretion expense not yet approved by the UARB, are deferred to "PP&E" and included in the next depreciation study.

As at December 31, 2023 and 2022, some of the Company's transmission and distribution assets may have conditional AROs which are not recognized in the consolidated financial statements as the fair value of these obligations could not be reasonably estimated, given there is insufficient information to do so. 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 in the period in which an amount can be determined.

Cost of Removal

The Company recognizes non-ARO costs of removal ("COR") as regulatory liabilities. The non-ARO COR represents funds received from customers through depreciation rates to cover estimated future non-legally required cost of removal and decommissioning of property, PP&E upon retirement. The Company accrues removal costs over the life of the related assets based on the depreciation studies approved by the UARB. The costs are estimated based on historical experience and future expectations, including expected timing and estimated future cash outlays.

Stock-Based Compensation

The Company participates in several Emera stock-based compensation plans: a common share option plan for senior management; an employee common share purchase plan; a deferred share unit ("DSU") plan; a performance share unit ("PSU") plan; and a restricted share unit ("RSU") plan. The Company accounts for its plans in accordance with the fair value-based method of accounting for stock-based compensation. Stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's or director's requisite service period using the graded vesting method. Stock-based compensation plans recognized as liabilities are initially measured at fair value and re-measured at fair value at each reporting date with the change in liability recognized in income.

Employee Benefits

The costs of the Company's pension and other post-retirement 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-retirement 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 AOCL. The components of net periodic benefit cost other than the service cost component are included in "Other income, net" on the Consolidated Statements of Income. Refer to note 14 for further details.

2. FUTURE ACCOUNTING PRONOUNCEMENTS

The Company considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB"). The following updates have been issued by the FASB but as allowed, have not yet been adopted by NSPI. Any ASUs not included below were assessed and determined to be either not applicable to the Company or have an insignificant impact on the consolidated financial statements.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The standard enhances the transparency, decision usefulness and effectiveness of income tax disclosures by requiring consistent categories and greater disaggregation of information in the reconciliation of income taxes computed using the enacted statutory income tax rate to the actual income tax provision and effective income tax rate, as well as the disaggregation of income taxes paid (refunded) by jurisdiction. The standard also requires disclosure of income (loss) before provision for income taxes and income tax expense (recovery) in accordance with U.S. Securities and Exchange Commission Regulation S-X 210.4-08(h), Rules of General Application – General Notes to Financial Statements: Income Tax Expense, and the removal of disclosures no longer considered cost beneficial or relevant. The guidance will be effective for annual reporting periods beginning after December 15, 2024, and interim periods within annual reporting periods beginning after December 15, 2025. Early adoption is permitted. The standard will be applied on a prospective basis, with retrospective application permitted. The Company is currently evaluating the impact of adoption of the standard on its consolidated financial statements.

3. DISPOSITIONS

On August 31, 2023, NSPI disposed of the development assets associated with two proposed wind projects in Nova Scotia. As of December 31, 2023, the total consideration allocated to the transaction price is $8 million, which includes $6 million received at closing and $2 million received in December 2023 driven by the counter party achieving certain milestones in the development of the wind projects. NSPI recognized a gain on the sale of the development assets of $2 million which was recorded in "Other income, net". The agreement includes additional consideration of $5 million which has not been allocated to the transaction price as it is contingent on the counterparty achieving certain future additional milestones in the development of the wind projects. The contingent consideration will be allocated to the transaction price if/when the milestones are achieved.

4. REVENUE

The following disaggregates the Company's revenue by major source:

For the	Year ended December 31	
millions of dollars	**2023**	2022
Residential	**$ 910**	$ 834
Commercial	**463**	427
Industrial	**219**	353
Other	**41**	28
Electric revenue	**1,633**	1,642
Other revenue (1)	**38**	33
Operating revenues	**$ 1,671**	$ 1,675

(1) Includes revenue which does not represent revenues from contracts with customers.

Remaining Performance Obligations

Remaining performance obligations primarily represent the transaction prices of a long-term steam supply agreement. As of December 31, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations was $18 million. The Company expects to recognize revenue for the remaining performance obligations through Q3 2027.

5. REGULATORY MATTERS

Regulatory Environment and Updates

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 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 approved regulated return on equity ("ROE") range is 8.75 per cent to 9.25 per cent based on an actual five-quarter average regulated common equity component of up to 40 per cent of approved rate base.

For the period of 2020 through 2022, NSPI operated under a three-year fuel stability plan which resulted in an average annual overall rate increase to recover fuel costs of 1.5 per cent each year.

Hurricane Fiona:
On October 31, 2023, NSPI submitted an application to the UARB to defer $24 million in incremental operating costs incurred during Hurricane Fiona storm restoration efforts in September 2022. NSPI is seeking amortization of the costs over a period to be approved by the UARB during a future rate setting process. At December 31, 2023, the $24 million is deferred to “Other long-term assets”, pending UARB approval.

Maritime Link:
The Maritime Link is a $1.8 billion (including AFUDC) transmission project, including two 170-kilometre sub-sea cables, connecting the island of Newfoundland and Nova Scotia. The Maritime Link entered service on January 15, 2018, and NSPI started interim assessment payments to Nova Scotia Power Maritime Link (“NSPML”) at that time.

NSPML received UARB approval to collect up to $164 million from NSPI for the recovery of costs associated with the Maritime Link in 2023 (2022 – $168 million), subject to a monthly holdback of up to $2 million which began in April 2022. The holdback increased to $4 million per month beginning December 2023, as discussed below. On December 21, 2023, NSPML received approval to collect up to $164 million from NSPI for the recovery of costs associated with the Maritime Link in 2024, subject to the holdback of $4 million per month.

On October 4, 2023 and January 31, 2024, the UARB issued decisions providing clarification on remaining aspects of the holdback mechanism primarily relating to release of past and future holdback amounts and requirements to end the holdback mechanism. In these decisions, the UARB agreed with NSPML’s submission that $12 million ($8 million related to 2022 and $4 million relating to 2023) of the previously recorded holdback remain credited to NSPI’s FAM, with the remainder released to NSPML. NSPI did not record any additional holdback in Q4 2023. The UARB also confirmed that the holdback mechanism will cease once 90 per cent of Nova Scotia Block (“NS Block”) deliveries are achieved for 12 consecutive months (subject to potential relief for planned outages or exceptional circumstances) and the net outstanding balance of previously underdelivered NS Block energy is less than 10 per cent of the contracted annual amount. In addition, the UARB increased the monthly holdback amount from $2 million to $4 million beginning December 1, 2023.

Extra Large Industrial Active Demand Tariff:
On July 5, 2023, NSPI received UARB approval to change the methodology by which fuel recovery from an industrial customer is calculated. Due to significant volatility in commodity prices in 2022, the previous methodology did not result in a reasonable determination of the cost of fuel to serve this customer. The change in methodology, effective January 1, 2022, results in a shifting of fuel costs from this industrial customer to the FAM. This adjustment was recorded in Q2 2023 resulting in a $51 million increase to the FAM regulatory asset and an offsetting decrease to unbilled customer accounts receivable within Receivables, net. This adjustment had minimal impact on earnings.

General Rate Application (“GRA”):
On February 2, 2023, the UARB approved the GRA settlement agreement between NSPI, key customer representatives and participating interest groups. This resulted in average customer rate increases of 6.9 per cent effective on February 2, 2023, and further average increases of 6.5 per cent on January 1, 2024, with any under or over-recovery of fuel costs addressed through the UARB’s established FAM process. It also established a storm rider, which is described further in the “Regulatory Assets and Regulatory Liabilities” section below, and a DSM rider. On March 27, 2023, the UARB issued a final order approving the electricity rates effective on February 2, 2023.

Regulatory Assets and Regulatory Liabilities

Regulatory assets represent prudently 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 from the UARB, 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 related amount is recognized in income.

Regulatory assets and liabilities as at December 31, excluding certain regulatory assets related to PP&E and AROs as discussed in notes 13 and 19, consisted of the following:

As at millions of dollars		**December 31 2023**		December 31 2022
Regulatory assets				
Deferred income tax regulatory asset	**$**	**787**	$	734
FAM (refer to table below)		**395**		307
Deferrals related to derivative instruments		**78**		21
Storm rider		**21**		-
Other		**18**		28
	$	**1,299**	$	1,090
Current	**$**	**61**	$	22
Long-term		**1,238**		1,068
Total regulatory assets	**$**	**1,299**	$	1,090
Regulatory liabilities				
Deferrals related to derivative instruments	**$**	**12**	$	221
Other		**3**		8
	$	**15**	$	229
Current	**$**	**12**	$	180
Long-term		**3**		49
Total regulatory liabilities	**$**	**15**	$	229

Deferred Income Tax Regulatory Asset:
NSPI recognizes deferred income tax assets and liabilities for the future tax consequences of events that have been included in the consolidated financial statements or income tax returns, in accordance with NSPI's rate-regulated accounting policy as approved by the UARB. To the extent deferred income taxes are expected to be recovered from or returned to customers in future years, NSPI recognizes a net deferred income tax regulatory asset or liability as appropriate.

FAM Regulatory Asset:
NSPI has a UARB approved FAM, allowing NSPI to recover fluctuating fuel and certain fuel-related costs from customers through annual fuel rate adjustments. Differences between prudently incurred fuel costs and amounts recovered from customers through electricity rates in a given year are deferred to a FAM regulatory asset or liability and recovered from or returned to customers in subsequent periods. For the years 2020 to 2022, NSPI operated under a three-year fuel stability plan with no fuel rate adjustments related to the under-recovery of fuel cost in the period.

On January 29, 2024, NSPI applied to the UARB for approval of a structure that would begin to recover the outstanding FAM balance. As part of the application, NSPI requested approval for the sale of $117 million of the FAM regulatory asset to Invest Nova Scotia, a provincial Crown corporation, with the proceeds paid to NSPI upon approval. NSPI has requested approval to collect from customers the amortization and financing costs of $117 million on behalf of Invest Nova Scotia over a 10-year period, and remit those amounts to Invest Nova Scotia as collected, reducing short-term customer rate increases relative to the currently established FAM process. If approved, this portion of the FAM regulatory asset would be removed from the Consolidated Balance Sheets and NSPI would collect the balance on behalf of Invest Nova Scotia in NSPI rates beginning in 2024. A decision is expected in the first half of 2024.

Pursuant to the FAM Plan of Administration, NSPI's fuel costs are subject to independent audit. On February 21, 2024, the UARB's decision on the FAM audit findings and recommendations relating to fiscal 2020 and 2021 were publicly released and included one disallowance of $2 million plus associated interest, subject to a compliance filing. The impact of the disallowance will be recorded in 2024 when finalized.

The change in the FAM regulatory asset balances consisted of the following:

millions of dollars		2023		2022
FAM regulatory asset – Balance as at January 1	**$**	**307**	$	145
Total under-recovery of current period fuel costs (1)		**78**		147
Interest on FAM balance (2)		**11**		15
Other		**(1)**		-
FAM regulatory asset – Balance as at December 31	**$**	**395**	$	307

(1) Includes the Nova Scotia Cap-and-Trade Program
(2) Includes the Q1 2023 reversal of interest previously recognized on the Nova Scotia Cap-and-Trade provision.

Deferrals Related to Derivative Instruments:
NSPI defers changes in fair value of derivatives that are documented as economic hedges or that do not qualify for NPNS exception, as a regulatory asset or liability as approved by the UARB. The realized gain or loss is recognized when the hedged item settles in "Fuel for generation and purchased power", "Other income, net", "Inventory", "OM&G" or "PP&E", depending on the nature of the item being economically hedged.

Storm Rider:
NSPI has a UARB approved a storm rider for each of 2023, 2024 and 2025, which gives NSPI the option to apply to the UARB for recovery of costs if major storm restoration expense exceeds approximately $10 million in a given year. The storm rider was effective as of the February 2, 2023 GRA decision date. The application for deferral and recovery of the storm rider is made in the year following the year of the incurred cost, with recovery beginning in the year after the application. Total 2023 major storm restoration expense was $31 million, of which $21 million was deferred to the storm rider.

FAM and Other Deferrals

"FAM and other deferrals" recognized in the Consolidated Statements of Income consisted of the following:

For the		Year ended December 31		
millions of dollars		**2023**		2022
FAM: Under-recovery of fuel costs	**$**	**(78)**	$	(147)
Storm rider: Deferred major storm restoration expense		**(21)**		-
DSM rider: Over-recovery of DSM program costs		**1**		-
Total FAM and other deferrals	**$**	**(98)**	$	(147)

The regulatory asset or liability balance associated with these deferrals as at December 31, 2023 (refer to the "Regulatory Assets and Regulatory Liabilities" section above) includes associated interest which is recorded as "Interest expense, net" on the Consolidated Statements of Income.

Under-recovery of fuel costs includes the changes to the accrued cost of acquiring emissions credits for the 2019 through 2022 Nova Scotia Cap-and-Trade compliance period. The amount included in fuel costs for 2023 was a recovery of $166 million (2022 – $134 million expense). As of December 31, 2022, NSPI had recognized a cumulative $166 million in fuel costs related to the accrued purchase of emissions credits and $6 million related to credits purchased from provincial auction. On March 16, 2023, the Nova Scotia provincial government (the "Province") amended the Cap-and-Trade Program Regulations, providing NSPI with additional emissions allowances sufficient to achieve compliance for the compliance period. Accrued compliance costs related to the purchase of emissions credits were reversed in Q1 2023 and NSPI did not incur any additional cost to comply with the Nova Scotia Cap-and-Trade Program. Additional credits NSPI purchased from provincial auctions were not refunded.

Other Regulatory Matters

Nova Scotia Renewable Electricity Regulations ("RER"):
Under the provincially legislated RER, 40 per cent of electric sales must be generated from renewable sources by 2020. Due to the delay of energy delivered from the Muskrat Falls hydroelectric project ("Muskrat Falls"), the Province provided NSPI with an alternative compliance plan that required NSPI to achieve 40 per cent of electric sales generated from renewable sources over the 2020 through 2022 period. Driven primarily by the delivery of Muskrat Falls energy commencing later than anticipated, as well as further interruptions in supply due to delays in the Labrador Island Link, NSPI did not achieve the requirements of the alternative compliance plan. The RER allows for a maximum penalty of $10 million if NSPI is found not to have acted in a duly diligent manner. On April 6, 2023, the Province levied a $10 million penalty on NSPI, which was recorded in "OM&G" on the Consolidated Statements of Income. On May 26, 2023, NSPI initiated an appeal of the penalty through a proceeding with the UARB, as permitted under the RER. On October 12, 2023, the UARB decided that it will hear the appeal by giving due deference to the Province's decision but permitting the filing of new evidence to support the parties' positions. The hearing for the matter is scheduled for June 2024.

Annapolis Tidal Generating Station:
NSPI plans to retire the Company's Annapolis Tidal Generating Station. On February 19, 2021, NSPI applied to the UARB for the accounting treatment of the unrecovered net book value of these assets in the amount of $28 million. On January 14, 2022, the UARB concluded that it was not yet in a position to make a determination on the accounting treatment and would hold the application in abeyance. The UARB suggested NSPI resubmit the application for accounting treatment along with a decommissioning application. NSPI continues to classify these assets within PP&E at December 31, 2023.

6. INTEREST EXPENSE, NET

For the millions of dollars	Year ended December 31 **2023**	2022
Interest on debt	**$ 202**	$ 149
Interest on FAM balance	**(11)**	(16)
Interest revenue, net	**(10)**	(6)
Reserve on interest on FAM balance (1)	**(8)**	8
Allowance for borrowed funds used during construction	**(5)**	(5)
Other	**2**	6
	$ 170	$ 136

(1) In 2022, a reserve was recorded against the portion of the interest on the FAM balance related to the non-cash Cap-and-Trade accrual. The reserve was reversed in Q1 2023 when NSPI was granted additional emissions allowances sufficient to achieve compliance with the Cap-and-Trade program and the FAM interest related to the non-cash accrual was reversed.

7. INCOME TAXES

The income tax provision, for the years ended December 31, differs from that computed using the enacted combined Canadian federal and Nova Scotia provincial statutory income tax rate for the following reasons:

millions of dollars		**2023**		2022
Income before provision for income taxes	**$**	**133**	$	124
Statutory income tax rate		**29%**		29%
Income taxes, at statutory income tax rate		**39**		36
Deferred income taxes on regulated income recorded as regulatory assets and regulatory liabilities		**(50)**		(44)
Non-deductible RER penalty		**3**		-
Other		**-**		1
Income tax recovery	**$**	**(8)**	$	(7)
Effective income tax rate		**(6%)**		(6%)

The following reflects the composition of taxes on income from continuing operations presented in the Consolidated Statements of Income for the years ended December 31:

millions of dollars		**2023**		2022
Current income taxes	**$**	**-**	$	(1)
Deferred income taxes		**32**		44
Operating loss carryforwards		**(40)**		(50)
Income tax recovery	**$**	**(8)**	$	(7)

The deferred income tax assets and liabilities presented in the Consolidated Balance Sheets as at December 31 consisted of the following:

millions of dollars		**2023**		2022
Deferred income tax assets:				
Tax loss carryforwards	**$**	**305**	$	222
Asset retirement obligations		**54**		44
Pension and post-retirement liabilities		**36**		34
Derivative instruments		**31**		9
Regulatory liabilities - deferrals related to derivative instruments		**5**		87
Other		**29**		34
Total deferred income tax assets before valuation allowance		**460**		430
Valuation allowance		**(11)**		(12)
Total deferred income tax assets after valuation allowance	**$**	**449**	$	418
Deferred income tax liabilities:				
PP&E	**$**	**(890)**	$	(807)
Regulatory asset - FAM		**(115)**		(89)
Pension and post-retirement assets		**(37)**		(40)
Derivative instruments		**(5)**		(87)
Other		**(76)**		(50)
Total deferred income tax liabilities	**$**	**(1,123)**	$	(1,073)
Consolidated Balance Sheets presentation:				
Long-term deferred income tax liabilities	**$**	**(674)**	$	(655)

As at December 31, 2023, NSPI had a net operating loss carryforward of $954 million (2022 – $682 million) which expires between 2039 and 2043 and a gross capital loss carryforward of $54 million (2022 – $56 million) with an indefinite carryforward period. NSPI has a deferred tax asset of $294 million relating to the net operating loss carryforward (2022 – $210 million) and a $11 million deferred tax asset relating to the capital loss carryforward (2022 – $12 million). A valuation allowance of $11 million has been recorded as at December 31, 2023 (2022 – $12 million) related to the capital loss carryforward as realization is uncertain.

Considering all evidence regarding the utilization of the Company's deferred income tax assets, it has been determined that NSPI is more likely than not to realize all recorded deferred income tax assets, except for the capital loss carryforward noted above. The only valuation allowance recorded as at December 31, 2023 is related to the capital loss carryforward.

The following table provides details of the change in unrecognized tax benefits for the years ended December 31 as follows:

millions of dollars		**2023**		2022
Balance, January 1	**$**	**20**	$	19
Increases due to tax positions related to current year		**3**		3
Decreases due to tax positions related to a prior year		**(1)**		(2)
Balance, December 31	**$**	**22**	$	20

The total amount of unrecognized tax benefits as at December 31, 2023 was $22 million (2022 – $20 million), which would affect the effective tax rate if recognized. The total amount of accrued interest with respect to unrecognized tax benefits was $9 million (2022 – $7 million) with $2 million interest expense recognized in the Consolidated Statement of Income in 2023 (2022 – $1 million). No penalties have been accrued. The balance of unrecognized tax benefits could change in the next twelve months as a result of resolving Canada Revenue Agency ("CRA") audits. A reasonable estimate of any change cannot be made at this time.

NSPI files a Canadian federal income tax return, which includes its Nova Scotia provincial income tax. As at December 31, 2023, NSPI's tax years still open to examination by taxing authorities include 2006 and subsequent years.

During 2022, the CRA issued notices of reassessment to NSPI for the 2013 through 2016 taxation years. NSPI and the CRA are currently in a dispute with respect to the timing of certain tax deductions for its 2006 through 2010 and 2013 through 2016 taxation years. The ultimate permissibility of the tax deductions is not in dispute; rather, it is the timing of those deductions. The cumulative net amount in dispute to date is $126 million (2022 – $126 million), including interest. NSPI has prepaid $55 million (2022 – $55 million), of the amount in dispute, as required by CRA.

On November 29, 2019, NSPI filed a Notice of Appeal with the Tax Court of Canada with respect to its dispute of the 2006 through 2010 taxation years. Should NSPI be successful in defending its position, all payments including applicable interest will be refunded. If NSPI is unsuccessful in defending any portion of its position, the resulting taxes and applicable interest will be deducted from amounts previously paid, with the difference, if any, either owed to, or refunded from, the CRA. The related tax deductions will be available in subsequent years.

Should NSPI be similarly reassessed by the CRA for years not currently in dispute, further payments will be required; however, the ultimate permissibility of these deductions would be similarly not in dispute.

NSPI and its advisors believe that NSPI has reported its tax position appropriately. NSPI continues to assess its options to resolving the dispute; however, the outcome of the Notice of Appeal process is not determinable at this time.

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Defined benefit pension and non-pension benefits	
millions of dollars	**2023**	2022
Balance, January 1	**$ (37)**	$ (60)
Amounts reclassified (to) from AOCL	**(41)**	23
Balance, December 31	**$ (78)**	$ (37)

The reclassifications (in to) out of AOCL are as follows:

millions of dollars		**2023**	2022
	Affected line item in the Consolidated Financial Statements (1)	Amounts reclassified (to) from AOCL	
Amortization of actuarial losses	Other income, net	**$ -**	$ 7
Amounts reclassified to obligations	Pension and post-retirement liabilities	**(41)**	16
Total reclassifications (in to) out of AOCL for the period		**$ (41)**	$ 23

(1) These AOCL components are included in the computation of net periodic pension cost (refer to note 14 for additional details).

9. RECEIVABLES, NET

As at millions of dollars	**December 31 2023**	December 31 2022
Customer accounts receivable – billed	**$ 120**	$ 101
Customer accounts receivable – unbilled	**196**	220
Total customer accounts receivable	**316**	321
Allowance for credit losses	**(3)**	(3)
Customer accounts receivable, net	**313**	318
Cash collateral position on derivative instruments (note 11)	**94**	-
Other	**23**	57
	$ 430	$ 375

10. INVENTORY

As at millions of dollars	**December 31 2023**	December 31 2022
Fuel	**$ 244**	$ 195
Materials	**101**	92
	$ 345	$ 287

11. DERIVATIVE INSTRUMENTS

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

	Derivative Assets		Derivative Liabilities	
As at millions of dollars	**December 31 2023**	December 31 2022	**December 31 2023**	December 31 2022
Current				
Commodity swaps and forwards	**$ 8**	$ 114	**$ 56**	$ 28
Foreign exchange forwards	**3**	13	**2**	-
Physical natural gas purchases	**-**	52	**-**	-
Total gross current derivatives	**11**	179	**58**	28
Impact of master netting agreements with intent to settle net or simultaneously	**(2)**	(14)	**(2)**	(14)
Total current derivatives	**9**	165	**56**	14
Long-term				
Commodity swaps and forwards	**3**	48	**21**	12
Foreign exchange forwards	**-**	5	**1**	1
Total gross long-term derivatives	**3**	53	**22**	13
Impact of master netting agreements with intent to settle net or simultaneously	**(1)**	(4)	**(1)**	(4)
Total long-term derivatives	**2**	49	**21**	9
Total derivatives	**$ 11**	$ 214	**$ 77**	$ 23

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

Regulatory Deferral

NSPI received approval from the UARB for regulatory deferral of gains and losses on certain derivatives documented as economic hedges and certain physical contracts that do not qualify for the NPNS exception. Refer to note 5 for these regulatory deferrals. The Company has recorded the following changes with respect to derivatives receiving regulatory deferral:

For the millions of dollars		**Year ended December 31 2023**			Year ended December 31 2022	
	Commodity swaps and forwards	**Physical natural gas purchases**	**Foreign exchange forwards**	Commodity swaps and forwards	Physical natural gas purchases	Foreign exchange forwards
Unrealized gain (loss) in regulatory assets	**$ (109)**	**$ -**	**$ (3)**	$ (83)	$ -	$ 1
Unrealized gain (loss) in regulatory liabilities	**(63)**	**(3)**	**-**	369	28	16
Realized (gain) loss in regulatory assets	**(5)**	**-**	**-**	48	-	-
Realized (gain) loss in regulatory liabilities	**2**	**-**	**-**	(41)	-	-
Realized (gain) loss in inventory (1)	**4**	**-**	**(10)**	(121)	-	1
Realized (gain) loss in fuel for generation and purchased power (2)	**(17)**	**(49)**	**(4)**	(163)	(64)	-
Total change in derivative instruments	**$ (188)**	**$ (52)**	**$ (17)**	$ 9	$ (36)	$ 18

(1) Realized (gains) losses will be recognized in "Fuel for generation and purchased power" when the hedged item is consumed.

(2) Realized (gains) losses on derivative instruments settled and consumed in the period, hedging relationships that have been terminated or the hedged transaction is no longer probable.

Notional Volumes

As at December 31, 2023, the Company had the following notional volumes of commodity swaps and forward and physical natural gas purchase contracts designated for regulatory deferral that are expected to settle as outlined below:

millions	2024 Purchases	2025 Purchases
Commodity swaps and forwards		
Natural gas (MMBtu)	13	9
Power (MWh)	1	1
Coal (Metric Tonnes)	1	-
Physical natural gas purchases		
Natural gas (MMBtu)	7	6

As at December 31, 2023, the Company had the following notional volumes of foreign exchange forward contracts designated for regulatory deferral that are expected to settle as outlined below:

	2024	2025
Foreign exchange contracts (millions of US dollars ("USD"))	$ 241	$ 70
Weighted average rate	1.3155	1.3197
% of USD requirements	63%	17%

NSPI reassesses forecast foreign exchange requirements periodically and will enter into additional hedges or unwind existing hedges, as required.

Credit Risk

The Company is exposed to credit risk with respect to amounts receivable from customers and derivative assets. Credit risk is the potential loss 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. Credit assessments are conducted on all new customers and counterparties, and deposits or collateral are requested on any high-risk accounts.

The Company assesses the potential for credit losses on a regular basis, and where appropriate, recognizes provisions. With respect to counterparties, 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. The Company assesses credit risk internally for counterparties that are not rated.

As at December 31, 2023, the maximum exposure the Company has to credit risk is $429 million (December 31, 2022 – $475 million), which includes accounts receivable, and assets related to derivatives net of collateral/deposits.

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. The Company transacts with counterparties as part of its risk management strategy for managing commodity prices and foreign exchange. Counterparties that exceed established credit limits can provide a cash deposit or letter of credit to the Company for the value in excess of the credit limit where contractually required. The Company also obtains cash deposits from electric customers. The total cash deposits/collateral on hand as at December 31, 2023, was $12 million (December 31, 2022 – $114 million). The Company uses the cash as payment for the amount receivable or returns the deposit/collateral to the customer/counterparty when it is no longer required by the Company.

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, North American Energy Standards Board agreements 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.

As at December 31, 2023, the Company had $46 million (December 31, 2022 – $46 million) in financial assets considered to be past due, which have been outstanding for an average of 75 days. The fair value of these financial assets is $44 million (December 31, 2022 – $43 million), the difference of which is included in the allowance for credit losses. These assets relate to accounts receivable from electric revenue.

Concentration Risk

The Company's concentrations of risk as at December 31, consisted of the following:

As at	**2023**		2022	
	millions of dollars	**% of total exposure**	millions of dollars	% of total exposure
Receivables, net				
Residential	**$ 183**	**42%**	$ 162	28%
Commercial	**63**	**14%**	58	10%
Industrial	**45**	**10%**	88	15%
Other	**45**	**10%**	67	11%
Cash collateral	**94**	**22%**	-	-%
	430	**98%**	375	64%
Derivative Instruments (current and long-term)				
Credit rating of A- or above	**11**	**2%**	162	28%
Not rated	**-**	**-%**	52	9%
	11	**2%**	214	36%
	$ 441	**100%**	$ 589	100%

Cash Collateral

Derivatives, as reflected on the Consolidated 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" on the Consolidated Balance Sheets. As at December 31, 2023, the Company's cash collateral position was $94 million receivable (December 31, 2022 – $100 million payable).

Collateral is posted in the normal course of business. Certain of the Company's derivatives could contain financial assurance provisions that require collateral to be posted 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 December 31, 2023, the total fair value of these derivatives, in a liability position, was $77 million (December 31, 2022 – $23 million).

12. FAIR VALUE MEASUREMENTS

The Company is required to determine the fair value of all derivatives except those which qualify for the NPNS exception and uses a market approach to do so. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Where possible, the Company bases the fair valuation of its financial assets and liabilities on quoted prices in active markets ("quoted prices") for identical assets and liabilities.

Level 2 – 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 with an adjustment related to location differences. Also, certain derivatives are valued using quotes from over-the-counter clearing houses.

Level 3 – Where the information required for a Level 1 or Level 2 valuation is not available, derivatives must be valued using unobservable or internally-developed inputs. The primary reasons for a Level 3 classification are as follows:

- While valuations were based on quoted prices, significant assumptions were necessary to reflect seasonal or monthly shaping and locational basis differentials.
- The term of certain transactions extends beyond the period when quoted prices are available, and accordingly, 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 quoted prices 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:

As at				**December 31, 2023**
millions of dollars	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Regulatory deferral				
Commodity swaps and forwards	$ 7	$ 1	$ -	$ 8
Foreign exchange forwards	-	3	-	3
Total assets	**7**	**4**	**-**	**11**
Liabilities				
Regulatory deferral				
Commodity swaps and forwards	43	31	-	74
Foreign exchange forwards	-	3	-	3
Total liabilities	**43**	**34**	**-**	**77**
Net liabilities	**$ (36)**	**$ (30)**	**$ -**	**$ (66)**

As at				December 31, 2022
millions of dollars	Level 1	Level 2	Level 3	Total
Assets				
Regulatory deferral				
Commodity swaps and forwards	$ 120	$ 24	$ -	$ 144
Foreign exchange forwards	-	18	-	18
Physical natural gas purchases	-	-	52	52
Total assets	120	42	52	214
Liabilities				
Regulatory deferral				
Commodity swaps and forwards	15	7	-	22
Foreign exchange forwards	-	1	-	1
Total liabilities	15	8	-	23
Net assets	$ 105	$ 34	$ 52	$ 191

The change in the fair value of the Level 3 financial assets for the year ended December 31, 2023, was as follows:

millions of dollars	Physical natural gas purchases
Balance, January 1, 2023	**$ 52**
Realized gain included in fuel for generation and purchased power	**(49)**
Change in unrealized gains included in regulatory liabilities	**(3)**
Balance, December 31, 2023	**$ -**

There were no Level 3 financial liabilities for the years ended December 31, 2023 or December 31, 2022.

Significant unobservable inputs used in the fair value measurement of the Company's natural gas derivatives include third-party sourced pricing for instruments based on illiquid markets. Significant increases (decreases) in these inputs in isolation would result in a significantly lower (higher) fair value measurement. Other unobservable inputs used include internally developed correlation factors and basis differentials; own credit risk; and discount rates. Internally developed correlations and basis differentials are reviewed on a quarterly basis based on statistical analysis of the spot markets in the various illiquid term markets. Discount rates may include a risk premium for those long-term forward contracts with illiquid future price points to incorporate the inherent uncertainty of these points. Any risk premiums for long-term contracts are evaluated by observing similar industry practices and in discussion with industry peers.

The Company uses a modelled pricing valuation technique for determining the fair value of Level 3 derivative instruments. The following table outlines quantitative information about the significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy at December 31, 2022. There were no Level 3 financial assets at December 31, 2023.

As at					**December 31, 2022**
millions of dollars	**Fair Value**	**Unobservable Input**	**Low**	**High**	**Weighted Average (1)**
Assets					
Regulatory deferral – Physical natural gas purchases	**$ 52**	Third-party pricing	$5.79	$31.85	$12.27
Total assets	**$ 52**				

(1) Unobservable inputs were weighted by the relative fair value of the instruments

The financial liabilities included on the Consolidated Balance Sheets that are not measured at fair value consisted of long-term debt as follows:

As at millions of dollars	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Total
December 31, 2023	**$ 3,868**	**$ 3,821**	**$ -**	**$ 3,821**	**$ -**	**$ 3,821**
December 31, 2022	$ 3,530	$ 3,352	$ -	$ 3,352	$ -	$ 3,352

The fair values of long-term debt instruments, classified as Level 2 in the fair value hierarchy, are estimated based on the quoted market price from the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturity.

At December 31, 2022, a payable included in “Other current liabilities” on the Consolidated Balance Sheets was carried at cost and approximates the fair value of the financial liability. The liability was fully paid in 2023.

13. PROPERTY, PLANT AND EQUIPMENT

As at millions of dollars	**December 31 2023**	December 31 2022
Generation	**$ 3,746**	$ 3,689
Transmission	**1,234**	1,192
Distribution	**2,041**	1,917
General plant and other	**835**	798
Total cost	**7,856**	7,596
Less: Accumulated depreciation	**(3,350)**	(3,256)
	4,506	4,340
Construction work in progress	**273**	249
Net book value	**$ 4,779**	$ 4,589

For the year ended December 31, 2023, AFUDC of $11 million (2022 – $11 million) was capitalized to “PP&E” on the Consolidated Balance Sheets.

As a result of UARB approved accounting policies and depreciation rates, NSPI recognizes or defers certain costs within “PP&E” that would not otherwise be recognized or deferred in the absence of rate regulation. Cumulative differences between items recognized for rate regulatory purposes and USGAAP, including depreciation rates, AFUDC and overhead costs, cannot be separately determined. The cumulative increase to accretion expense included within accumulated depreciation as at December 31, 2023 was $1 million (2022 – $2 million).

There were no asset impairments of these assets for the years ended December 31, 2023 and 2022.

The estimated useful lives, in years, for each major category of PP&E consist of the following:

Generation	32 to 65
Generation - hydro	63 to 131
Generation - wind	25
Transmission	40 to 80
Distribution	14 to 65
General plant and other	5 to 50

The estimated average amortization expense for each of the five succeeding years is $3 million for land rights and $26 million for computer software.

14. 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.

Defined Benefit Plans

The Company maintains contributory defined benefit pension plans which cover approximately 35 per cent of the active workforce. The defined benefit plan pension benefits are determined based on the years of service and average salary at the time the employee terminates employment. The plan provides annual post-retirement indexing equal to the change in the Consumer Price Index up to a stated maximum. The measurement date for the defined benefit pension plan is December 31. Effective November 1, 2014, the defined benefit plan was closed to new entrants.

Other retirement benefit plans ("Non-pension benefit plans") include the unfunded retirement award plan (which is impacted by expected future salary increases) and contributory health care plan. The unfunded retirement award plan was closed to new entrants effective August 1, 2007.

Benefit Obligation and Plan Assets

The changes in benefit obligation and plan assets, and the funded status for all plans for the years ended December 31 were as follows:

millions of dollars		**2023**		2022
Change in Projected Benefit Obligation ("PBO") and Accumulated Post-retirement Benefit Obligation ("APBO")	**Defined benefit pension plans**	**Non-pension benefit plans**	Defined benefit pension plans	Non-pension benefit plans
Balance, January 1	**$ 1,194**	**$ 27**	$ 1,475	$ 33
Service cost	8	1	14	1
Plan participant contributions	5	-	6	-
Interest cost	61	2	48	1
Benefits paid	(67)	(2)	(67)	(3)
Actuarial losses (gains)	109	1	(282)	(5)
Balance, December 31	**$ 1,310**	**$ 29**	$ 1,194	$ 27
Change in Plan assets				
Balance, January 1	**$ 1,248**	**$ -**	$ 1,494	$ -
Employer contributions	11	2	11	3
Plan participant contributions	5	-	6	-
Benefits paid	(67)	(2)	(67)	(3)
Actual return on assets, net of expenses	156	-	(196)	-
Balance, December 31	**$ 1,353**	**$ -**	$ 1,248	$ -
Funded Status, end of year	**$ 43**	**$ (29)**	$ 54	$ (27)

The actuarial losses recognized in the period for the defined benefit pension plans are as a result of losses associated with a change in discount rate, higher than expected indexation, and member experience.

For the years ended December 31 the aggregate financial position for all pension plans where the PBO or, for post-retirement benefit plans, the APBO, exceeds the plan assets is as follows:

millions of dollars		**2023**		2022
Plans with PBO/APBO in excess of plan assets	**Defined benefit pension plans**	**Non-pension benefit plans**	Defined benefit pension plans	Non-pension benefit plans
PBO/APBO	**$ 52**	**$ 29**	$ 47	$ 27
Fair value of Plan Assets	**5**	**-**	4	-
Funded Status	**$ (47)**	**$ (29)**	$ (43)	$ (27)

Plans with Accumulated Benefit Obligation ("ABO") in excess of Plan assets

The ABO for the defined benefit pension plans was $1,260 million as at December 31, 2023 (2022 – $1,166 million). The aggregate financial position for those plans with an ABO in excess of the plan assets for the years ended December 31 is as follows:

millions of dollars	Defined benefit pension plans **2023**	2022
ABO	**$ 51**	$ 45
Fair value of Plan Assets	**5**	4
Funded Status	**$ (46)**	$ (41)

Consolidated Balance Sheets

The amounts recognized in the Consolidated Balance Sheets as at December 31 consisted of the following:

millions of dollars	**2023**		2022	
	Defined benefit pension plans	**Non-pension benefit plans**	Defined benefit pension plans	Non-pension benefit plans
Current liabilities	**$ (5)**	**$ (3)**	$ (4)	$ (3)
Long-term liabilities	**(42)**	**(26)**	(39)	(24)
Other assets	**90**	**-**	97	-
AOCL	**83**	**(5)**	44	(7)
Net amount recognized at end of year	**$ 126**	**$ (34)**	$ 98	$ (34)

Unamortized gains and losses and past service costs arising on post-retirement benefits are recorded in AOCL. The following tables summarize the change in AOCL:

millions of dollars	Actuarial (gains) losses	Past service (gains) costs
Defined Benefit Pension Plans		
Balance, January 1, 2023	**$ 44**	**$ -**
Amortized in current period	(1)	-
Current year addition to AOCL	40	-
Balance, December 31, 2023	**$ 83**	**$ -**
Non-pension benefits plans		
Balance, January 1, 2023	**$ (7)**	**$ -**
Amortized in current period	1	-
Current year addition to AOCL	1	-
Balance, December 31, 2023	**$ (5)**	**$ -**

millions of dollars	**2023**		2022	
	Defined benefit pension plans	**Non-pension benefit plans**	Defined benefit pension plans	Non-pension benefit plans
Actuarial losses (gains)	**$ 83**	**$ (5)**	$ 44	$ (7)
Net amount in AOCL	**$ 83**	**$ (5)**	$ 44	$ (7)

Benefit Cost Components

NSPI's net periodic benefit cost (recovery) as at December 31 included the following:

millions of dollars	**2023**		2022	
	Defined benefit pension plans	**Non-pension benefit plans**	Defined benefit pension plans	Non-pension benefit plans
Service cost	**$ 8**	**$ 1**	$ 14	$ 1
Interest cost	**61**	**2**	48	1
Expected return on plan assets	**(87)**	**-**	(75)	-
Current year amortization of:				
Actuarial losses	**1**	**(1)**	7	-
Total	**$ (17)**	**$ 2**	$ (6)	$ 2

The expected return on plan assets is determined based on the market-related value of plan assets of $1,419 million as at January 1, 2023 (2022 – $1,351 million), adjusted for interest on certain cash flows during the year. The market-related value of assets is based on a five-year smoothed asset value. Any investment gains (or losses) in excess of (or less than) the expected return on plan assets are recognized on a straight-line basis into the market-related value of assets over a five-year period.

Pension Plan Asset Allocations

NSPI's registered defined benefit pension plan employs a long-term strategic approach with respect to asset allocation, real return and risk. The underlying objective is to earn an appropriate return given the Company's goal of preserving capital within an acceptable level of risk for the pension fund investments.

To achieve the overall long-term asset allocation, pension assets are managed by external investment managers under the pension plan's investment policy and governance framework. The asset allocation includes investments in the assets of Canadian and global equities, domestic and global bonds, and short-term investments. NSPI reviews investment manager performance on a regular basis and maintains the plans' asset allocations within the ranges permitted in the pension plans' investment policy.

NSPI's target asset allocation for 2023 and 2022 was as follows:

Asset Class	**2023 Target Range at Market**			**2022 Target Range at Market**		
Short-term securities	**0%**	**to**	**10%**	0%	to	5%
Fixed income	**34%**	**to**	**49%**	35%	to	50%
Equities:						
Canadian	**7%**	**to**	**17%**	7%	to	17%
Non-Canadian (world)	**35%**	**to**	**59%**	36%	to	60%

The investment of the pension assets, including the performance of investment managers, is overseen by the NSPI Management Pension Committee. All pension investments are in accordance with the policies approved by the Board of Directors.

The fair values of investments as at December 31, 2023, by asset category, are as follows:

millions of dollars		NAV		Level 1		Level 2		Total	Percentage
Cash and cash equivalents	**$**	**-**	**$**	**9**	**$**	**-**	**$**	**9**	**1 %**
Equity securities:									
Canadian equity		**-**		**94**		**-**		**94**	**7 %**
International equity		**-**		**246**		**-**		**246**	**18 %**
Fixed income securities		**-**		**-**		**45**		**45**	**3 %**
Open-ended investments measured at Net Asset Value ("NAV") (1)		**959**		**-**		**-**		**959**	**71 %**
Total	**$**	**959**	**$**	**349**	**$**	**45**	**$**	**1,353**	**100 %**

(1) NAV investments are comprised of open-ended fixed income, short-term investment, Canadian equity and international equity pooled funds. NAV's are calculated at least monthly and the funds honor subscription and redemption activity regularly.

The fair value of investments as at December 31, 2022, by asset category, are as follows:

millions of dollars		NAV		Level 1		Level 2		Total	Percentage
Cash and cash equivalents	$	-	$	19	$	-	$	19	2 %
Equity Securities:									
Canadian equity		-		86		-		86	7 %
International equity		-		412		-		412	33 %
Fixed income securities		-		-		41		41	3 %
Open-ended investments measured at NAV (1)		690		-		-		690	55 %
Total	$	690	$	517	$	41	$	1,248	100 %

(1) NAV investments are comprised of open-ended fixed income, short-term investment, Canadian equity and international equity pooled funds. NAV's are calculated at least monthly and the funds honor subscription and redemption activity regularly.

Refer to note 12 for more information on the fair value hierarchy and inputs used to measure fair value.

Investments in Emera Incorporated or NSPI

As at December 31, 2023 and 2022, the assets related to the pension funds do not hold any material investments in Emera or NSPI securities. However, as a significant portion of assets for the benefit plan are held in pooled assets, there may be indirect investments in these securities.

Post-retirement benefit plan assets

There are no assets set aside to pay for the other post-retirement benefit plans. As is common in Canada, post-retirement health benefits are paid from general accounts as required.

Cash Flows

The following table shows the expected cash flows for defined benefit pension and other post-retirement benefit plans:

millions of dollars		Defined benefit pension plans		Non-pension benefit plans
Expected employer contributions				
2024	$	11	$	3
Expected benefit payments				
2024		70		3
2025		74		3
2026		78		3
2027		81		3
2028		86		3
2029 – 2033		492		17

Assumptions

The following table shows the assumptions that have been used in accounting for defined benefit pension and other post-retirement benefit plans as at December 31 included the following:

	2023		2022	
(weighted average assumptions)	**Defined benefit pension plans**	**Non-pension benefit plans**	Defined benefit pension plans	Non-pension benefit plans
Benefit obligation				
Discount rate - past service	**4.63 %**	**4.62 %**	5.17 %	5.14 %
Discount rate - future service	**4.62 %**	**4.63 %**	5.19 %	5.16 %
Rate of compensation increase	**2.25 - 4.75%**	**2.25 - 4.75%**	2.25 - 4.75%	2.25 - 4.75%
Health care trend - initial (next year)	**-**	**6.00 %**	-	4.65 %
- ultimate	**-**	**3.60 %**	-	3.60 %
- year ultimate reached	**-**	**2040**	-	2040
Benefit cost				
Discount rate - past service	**5.17 %**	**5.14 %**	3.25 %	2.78 %
Discount rate - future service	**5.19 %**	**5.16 %**	3.48 %	2.98 %
Expected long-term return on plan assets	**6.25 %**	**-**	5.75 %	-
Rate of compensation increase	**2.25 - 4.75%**	**2.25 - 4.75%**	2.25 - 4.75%	2.25 - 4.75%
Health care trend - initial (current year)	**-**	**4.65 %**	-	4.71 %
- ultimate	**-**	**3.60 %**	-	3.60 %

The rate of compensation increases for the December 31, 2023, benefit obligation disclosure ranged from 2.25 per cent (age 50 and over) to 4.75 per cent (age 29 and under).

The expected long-term rate of return on plan assets is based on projected real rates of return for the plan's current asset allocation and assumed inflation. A real rate of return is determined for each asset class. Based on the asset allocation, an overall expected real rate of return for all assets is determined. The asset return assumption is equal to the overall real rate of return assumption added to the inflation assumption, adjusted for assumed expenses to be paid from the plan.

The discount rates are based on high-quality long-term Canadian corporate bonds, with maturities matching the estimated cash flows from the pension plan for future service and past service.

Defined Contribution Plan

The Company also provides a defined contribution pension plan for certain employees. The Company's contribution for the year ended December 31, 2023, was $6 million (2022 – $5 million).

15. LEASES

Lessee

NSPI has operating leases for office space, land, telecommunications services and rail cars. NSPI's leases have remaining lease terms of 1 year to 62 years, some of which include options to extend the leases for up to 51 years. These options are included as part of the lease term when it is considered reasonably certain that they will be exercised.

As at millions of dollars	Classification	**December 31 2023**	December 31 2022
Right-of-use asset	Other long-term assets	**$ 21**	$ 21
Lease liabilities:			
Current	Other current liabilities	**1**	1
Long-term	Other long-term liabilities	**21**	22
Total lease liabilities		**$ 22**	$ 23

For the year ended December 31, 2023, NSPI has recorded lease expense of $120 million (2022 – $133 million) of which $119 million (2022 – $131 million) relates to variable costs for power generation facility finance leases recognized in “Fuel for generation and purchased power”.

As at December 31, 2023, future minimum lease payments under non-cancellable operating leases for each of the next five years and in aggregate thereafter are as follows:

millions of dollars	2024	2025	2026	2027	2028	Thereafter	Total
Minimum lease payments	$ 2	$ 1	$ 1	$ 1	$ 1	$ 44	$ 50
Less: Imputed interest							28
Total							$ 22

Additional information related to NSPI's leases for the year ended December 31, 2023 is as follows:

Weighted average remaining lease term	**47**
Weighted average discount rate - operating leases	**3.63%**

Lessor

The Company’s net investment in direct finance and sales-type leases relates to leases of heat pumps and other equipment.

The net investment in heat pump and other equipment leases consist of the following:

As at millions of dollars	**December 31 2023**	December 31 2022
Minimum lease payments to be received	**$ 53**	$ 66
Less: Unearned finance lease income	**12**	15
Net investment in direct finance and sales-type leases	**$ 41**	$ 51
Principal due within one year (included in 'Receivables, net')	**$ 7**	$ 9
Net investment in direct finance and sales-type leases - long-term (included in 'Other long-term assets')	**$ 34**	$ 42

The unearned income related to the direct finance and sales-type leases is recognized in income over the life of the lease using a constant rate of interest equal to the internal rate of return on the lease and is recorded as “Other expenses, net” on the Consolidated Statements of Income. Customers have the option to purchase the heat pumps and other equipment at the end of the lease term for a nominal fee.

As at December 31, 2023, future minimum lease payments to be received for each of the next five years and in aggregate thereafter are as follows:

millions of dollars	2024	2025	2026	2027	2028	Thereafter	Total
Minimum lease payments to be received	$ 11	$ 10	$ 8	$ 7	$ 6	$ 11	$ 53

16. RELATED PARTY TRANSACTIONS

The Company enters into transactions with Emera Inc. and other subsidiaries or investments of Emera Inc. in the normal course of operations. As at December 31, 2023, related parties include Emera Inc., Brooklyn Power Corporation, Emera Energy Inc., Emera Energy Services, Inc. and NSPML. All related party transactions entered into by NSPI are governed by an Affiliate Code of Conduct approved by the UARB.

Transactions between the Company and its related parties reported in the Consolidated Statements of Income and Consolidated Balance Sheets are as follows:

For the millions of dollars			Year ended December 31
Nature of Service	**Presentation**	**2023**	2022
Sales:			
Management and administrative, and other services	OM&G	**$ 15**	$ 12
Rent and other services	Operating revenues	**2**	2
Purchases:			
Maritime Link assessment (note 5)	Fuel for generation and purchased power	**163**	157
Net purchase of electricity and natural gas	Fuel for generation and purchased power	**26**	48
Management and administrative, and other services	OM&G	**11**	12

For the year ended December 31, 2023, the Company issued 30.84 million (2022 – 0.03 million) common shares to Emera for total consideration of $308.4 million (2022 – $0.3 million). During the year ended December 31, 2023, NSPI paid no dividends to Emera (2022 – $150 million).

As at December 31, 2023, NSPI had $123 million due to Emera and affiliates (December 31, 2022 – $83 million).

17. OTHER CURRENT LIABILITIES

As at millions of dollars	**December 31 2023**	December 31 2022
Accrued charges	**$ 57**	$ 46
Accrued interest on long-term debt	**41**	36
Carbon tax payable	**22**	-
Sales taxes payable	**11**	-
Current portion of lease liability	**1**	1
Nova Scotia Cap-and-Trade Program provision (1)	**-**	172
Current portion of long-term payable	**-**	5
	$ 132	$ 260

(1) On March 16, 2023, the Province amended the Nova Scotia Cap-and-Trade Program Regulations, providing NSPI with additional emissions allowances sufficient to achieve compliance with the 2019 through 2022 compliance period. Compliance costs accrued of $166 million related to the anticipated purchase of emissions credits were reversed in Q1 2023.

18. LONG-TERM DEBT

NSPI's long-term debt includes the issuances detailed below. Medium-term notes are issued under trust indentures at fixed interest rates and are unsecured unless noted below. Included are certain bankers' acceptances and commercial paper where the Company has the intention and the unencumbered ability to refinance the obligations for a period greater than one year. Long-term debt as at December 31 consisted of the following:

millions of dollars	Interest Rate	Maturity	**2023**	2022
Discount notes (1)	Variable	2027	**$ 323**	$ 483
Bankers' acceptances (2)	Variable	2024	**398**	398
Medium-term notes				
Series F	8.85%	2025	**125**	125
Series L	8.30%	2036	**60**	60
Series M (3)	8.50%	2026	**40**	40
Series N	7.60%	2097	**50**	50
Series P	6.28%	2029	**40**	40
Series R	7.45%	2031	**75**	75
Series S	6.95%	2033	**200**	200
Series V	5.67%	2035	**150**	150
Series W	5.95%	2039	**200**	200
Series X	5.61%	2040	**300**	300
Series Y	4.15%	2042	**250**	250
Series Z	4.50%	2043	**300**	300
Series AA	3.61%	2045	**175**	175
Series AB	3.57%	2049	**400**	400
Series 2020-1	3.31%	2050	**300**	300
Series 2023-1	4.95%	2032	**300**	-
Series 2023-2	5.36%	2053	**200**	-
			$ 3,165	$ 2,665
			$ 3,886	$ 3,546
Debt issuance costs			**(18)**	(16)
Long-term debt			**$ 3,868**	$ 3,530

(1) Discount notes are backed by a revolving credit facility which matures in 2027.
(2) Banker's acceptances are issued under NSPI's non-revolving term facility which matures in 2024. NSPI has the intention and unencumbered ability to refinance bankers' acceptances for a period of greater than one year.
(3) Notes are extendable until 2056 at the option of the holders.

The Company's total long-term credit facilities, outstanding borrowings and available capacity as at December 31 were as follows:

millions of dollars	Maturity	**2023**	2022
Revolving credit facility (1)	December 2027	**$ 800**	$ 800
Non-revolving term facility	July 2024	**400**	400
Total		**$ 1,200**	$ 1,200
Less:			
Face value of borrowings under credit facilities		**725**	885
Letters of credit issued inside the line of credit		**7**	12
Use of available facilities		**$ 732**	$ 897
Available capacity under existing agreements		**$ 468**	$ 303

(1) Advances on the revolving credit facility can be made by way of overdraft on accounts up to $50 million at prime rate borrowing. Overdraft advances are classified as short-term debt.

Credit Facilities

In September 2023, NSPI re-entered the commercial paper market. NSPI can issue up to $800 million under its commercial paper program, of which the full amount outstanding is backed by the Company's operating credit facility. The amount of commercial paper issued results in an equal amount of its operating credit facility being considered drawn and unavailable.

As at December 31, 2023, the revolving credit facility has standby fees of 0.2 per cent calculated on the limit of the revolving credit facility less any outstanding letters of credit. The weighted average interest rate on the outstanding borrowings on the revolving credit facility was 5.90 per cent as at December 31, 2023 (2022 – 4.51 per cent).

Financing Activity

On March 24, 2023, NSPI completed a $300 million unsecured note issuance that bears interest at a rate of 4.95 per cent and has a maturity date of November 15, 2032. On the same date, NSPI completed a $200 million unsecured note issuance that bears interest at a rate of 5.36 per cent and has a maturity date of March 24, 2053.

Debt Covenants

NSPI's debt obligations contain covenants related to the amount of debt to capitalization as defined in certain agreements. In addition, other covenants and financial reporting obligations exist. Failure to comply with these covenants could result in an event of default, which if not cured or waived, could result in the acceleration of outstanding debt obligations.

NSPI has debt covenants associated with its credit facilities. As at December 31, 2023 and 2022, NSPI was in compliance with all respective financial covenants related to outstanding debt. NSPI's significant covenant is listed below:

Instrument	Financial Covenant	Requirement/Restriction	As at December 31, 2023
Syndicated credit facility	Debt to capital ratio	Less than or equal to 0.70:1	0.66:1

Long-Term Debt Maturities

As at December 31, 2023, long-term debt maturities for each of the next five years and in aggregate thereafter are as follows:

Year of maturity	millions of dollars
2024	$ 398
2025	125
2026	40
2027	323
2028	-
Greater than 5 years	3,000
Total	$ 3,886

19. ASSET RETIREMENT OBLIGATIONS

AROs mostly relate to the reclamation of land at the Company's thermal, hydro and combustion turbine sites; and the disposal of polychlorinated biphenyls in transmission and distribution equipment. Certain hydro, transmission and distribution assets may have additional AROs that cannot be measured as these assets are expected to be used for an indefinite period and, as a result, a reasonable estimate of the fair value of any related ARO cannot be made.

The change in ARO for the years ended December 31 are as follows:

millions of dollars		2023	2022
Balance, January 1	$	**109** $	118
Accretion deferred to regulatory asset (included in "PP&E") (1)		**18**	(2)
Accretion included in ARO liability		**7**	7
Liabilities settled		**(2)**	(1)
Revisions in estimated cash flows		**-**	(13)
Balance, December 31	$	**132** $	109

(1) Differences between accretion expense recognized for rate regulatory purposes and USGAAP, and accretion expense not yet approved by the UARB, are deferred to "PP&E". Deferred amounts are included in the Company's next depreciation study. In Q1 2023, the Company reclassified the cumulative balance of cost of removal collected within accretion expense recognized for rate regulatory purposes to accumulated depreciation.

As at December 31, 2023 and 2022, some of the Company's transmission and distribution assets may have additional conditional AROs which are not recognized in the consolidated financial statements as the fair value of these obligations could not be reasonably estimated, given there is insufficient information to do so. Management will continue to monitor these obligations and a liability will be recognized in the period in which an amount becomes determinable.

20. COMMITMENTS AND CONTINGENCIES

A. Commitments

As at December 31, 2023, contractual commitments (excluding pensions and other post-retirement obligations, long-term debt, interest payment obligations, long-term payables and ARO) for each of the next five years and in aggregate thereafter consisted of the following:

millions of dollars	2024	2025	2026	2027	2028	Thereafter	Total
Purchased power (1)	$ 233	$ 211	$ 225	$ 274	$ 274	$ 2,854	$ 4,071
Transportation (2)	54	50	20	20	19	154	317
Solid fuel supply	195	80	2	-	-	-	277
Maritime Link assessment	164	-	-	-	-	-	164
DSM	54	63	-	-	-	-	117
Long-term service agreements (3)	28	27	18	9	8	24	114
Capital projects	64	4	-	-	-	-	68
Leases (4)	2	1	1	1	1	44	50
	$ 794	$ 436	$ 266	$ 304	$ 302	$ 3,076	$ 5,178

(1) Contains NSPI's annual requirement to purchase 100 per cent of electricity production from IPPs and Community Feed-in Tariff participants over varying contract lengths up to 25 years based on estimated production volumes as well as agreements for the purchase of import power.
(2) Purchasing commitments for transportation of solid fuel and natural gas.
(3) Outsourced management of the Company's computer and communication infrastructure, software maintenance and support, shared service agreements at a co-generation facility, transmission and distribution line construction and maintenance services related to a generation facility and wind operating agreements.
(4) Operating leases for office space, land, telecommunications services, and rail cars.

NSPI has a contractual obligation to pay NSPML, a related party, for the use of the Maritime Link over approximately 38 years from its January 15, 2018, in-service date. In February 2022, the UARB issued its decision and Board Order approving NSPML's requested rate base of approximately $1.8 billion. On December 21, 2023, NSPML received UARB approval to collect $164 million from NSPI for the recovery of Maritime Link costs in 2024. The timing and amounts payable to NSPML for the remainder of the 38-year commitment period are subject to UARB approval. Refer to note 5 for further details.

B. Legal Proceedings

The Company may, from time to time, be involved in legal proceedings, claims and litigation 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'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. This includes the federal and provincial governments goals to transition off coal and reach 80 per cent renewable electricity sales by 2030. Capital investment in Nova Scotia's grid will be required to integrate additional renewable energy into the system, while continuing to provide safe, reliable electricity to customers. NSPI is working with both levels of government to determine the appropriate funding in Nova Scotia to facilitate these projects while minimizing costs for customers. Capital investment by NSPI will be dependent on the sources of funding and ownership structures in place to facilitate these investments, therefore, the total impact to NSPI and incremental cost to customers of this clean energy transition is not known at this time.

NSPI estimates its environmental capital spending, excluding AFUDC, based upon present environmental laws and regulations will be approximately $42 million during fiscal 2024 and is estimated to be $264 million from 2025 through 2028. Amounts that have been committed to are included in "Capital projects" in the commitments table in note 20A. The estimated expenditures do not include costs related to possible changes in the environmental laws or regulations and enforcement policies that may be enacted in response to issues such as climate change and other pollutant emissions.

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 on the Company.

Conformance with legislative and Company requirements is verified through a comprehensive environmental audit program. There were no significant environmental or regulatory compliance issues identified during the audits completed to December 31, 2023.

Polychlorinated Biphenyl Equipment

In response to the Canadian Environmental Protection Act 1999, 2008 Polychlorinated Biphenyl ("PCB") Regulations to phase out electrical equipment and liquids containing PCBs, NSPI has implemented a program to eliminate transformers and other oil-filled electrical equipment on its system that fall under the 2008 PCB Regulations Standard by December 31, 2025. This also includes PCB contaminated pole mounted transformers. The combined total cost of these projects is estimated to be $86 million and, as at December 31, 2023, approximately $81 million (December 31, 2022 – $71 million) has been spent to date. NSPI has recognized an ARO liability on the balance sheet of $3 million as at December 31, 2023 (December 31, 2022 – $4 million) associated with the PCB phase-out program.

D. Principal Financial Risks and Uncertainties

In this section, NSPI describes some of the principal financial risks management believes could materially affect the Company in the normal course of business. Risks associated with derivatives and fair value measurements are discussed further in note 11 and note 12.

Sound risk management is an essential discipline for running the business efficiently and pursuing the Company's strategy successfully. NSPI has a business-wide risk management process, monitored by the Board of Directors, to ensure a consistent and coherent approach.

Regulatory and Political Risk

NSPI faces risk with respect to the recovery of costs and investments. Regulatory and political risk can include changes in regulatory frameworks, shifts in government policy, legislative changes and regulatory decisions.

As a regulated cost-of-service utility with an obligation to serve customers, NSPI operates under a formal regulatory framework. The UARB administers the regulatory framework covering material aspects of NSPI's business, including applying market-based tests to determine the appropriate customer rates and/or riders, the underlying allowed ROE, capital structure, capital investment, the terms and conditions for the provision of service, performance standards, and affiliate transactions. The UARB also reviews the prudency of costs and other decisions that impact customer rates and reliability of service and work to ensure the financial health of the utility for the benefit of customers. Costs and investments can be recovered upon approval by the UARB as an adjustment to rates and/or riders, which normally requires a public hearing process or may be mandated by other governmental bodies. During public hearing processes consultants and customer representatives scrutinize the costs, actions and plans of NSPI and the UARB determines whether to allow recovery and to adjust rates based upon NSPI's evidence and any evidence from other parties. In some circumstances, other government bodies may influence the setting of rates. Regulatory decisions, legislative changes, and prolonged delays in the recovery of costs or regulatory assets could result in decreased rate affordability for customers and could materially affect NSPI.

The Company seeks to mitigate this risk through transparent regulatory disclosure, ongoing stakeholder and government consultation and multi-party engagement on aspects such as utility operations, regulatory audits, rate filings and capital plans. The Company works to establish collaborative relationships with regulatory stakeholders, including customers representatives, both through its approach to filings and additional efforts with technical conferences and, where appropriate, negotiated settlements.

Changes in government and shifts in government policy can impact the commercial and regulatory framework under which NSPI operates. This includes initiatives regarding deregulation or restructuring of the electric industry. Deregulation or restructuring of the electric industry may result in increased competition and unrecovered costs that could adversely affect the Company's operations, net income and cash flows.

NSPI cannot predict future legislative, policy, or regulatory changes, whether caused by economic, political or other factors, or its ability to respond in an effective and timely manner or the resulting compliance costs. Government interference in the regulatory process can undermine regulatory stability, predictability, and independence, and could have a material adverse effect on the Company.

Commodity Price and Foreign Exchange Rate Fluctuations in Fuel Prices

The Company's fuel supply is exposed to broader global conditions, which may include impacts on delivery reliability and price, despite contracted terms. Supply and demand dynamics in fuel markets can be affected by a wide range of factors which are difficult to predict and may change rapidly, including but not limited to currency fluctuations, changes in global economic conditions, natural disasters, transportation or production disruptions, and geo-political risks, such as political instability, conflicts, changes to international trade agreements, trade sanctions or embargos. The Company seeks to manage these risks using financial hedging instruments and physical contracts and through contractual protection with counterparties, where applicable. The Company utilizes a portfolio strategy for fuel procurement with a combination of long, medium, and short-term supply agreements. It also provides for mine, country, and supplier diversification. The strategy is designed to reduce the effects from market volatility through agreements with staggered expiration dates, volume options and varied pricing mechanisms. In addition, the FAM has further helped manage these risks, as the regulatory framework for NSPI permits the recovery of prudently incurred Fuel Costs. The Company's FAM Plan of Administration is approved by the UARB. There is no assurance that the FAM mechanism and regulatory frameworks will continue to exist in the future. Prolonged and substantial increases in fuel prices could result in decreased rate affordability, increased risk of recovery of costs or regulatory assets, and/or negative impacts on customer consumption patterns and sales.

General Economic Risk

The Company has exposure to the macro-economic conditions in Nova Scotia. Like most utilities, economic factors such as consumer income, employment and housing affect demand for electricity, and in turn the Company's financial results. Adverse changes in general economic conditions and inflation may impact the ability of customers to afford rate increases arising from increases to fuel, operating, capital, environmental compliance, and other costs, and therefore could materially affect NSPI. This may also result in higher credit and counterparty risk, adverse shifts in government policy and legislation, and/or increased risk to full and timely recovery of costs and regulatory assets.

Interest Rate Risk:
NSPI utilizes a combination of fixed and floating rate debt financing for operations and capital expenditures, resulting in an exposure to interest rate risk. NSPI seeks to manage interest rate risk through a portfolio approach that includes the use of fixed and floating rate debt with staggered maturities. The Company will, from time to time, issue fixed rate long-term debt or enter interest rate hedging contracts to limit its exposure to fluctuations in floating interest rate debt.

The allowed range of ROE will generally follow the direction of interest rates, such that it is likely to fall in times of reducing interest rates and raise in times of increasing interest rates, albeit not directly and generally with a lag period reflecting the regulatory process. The cost of debt is a component of rates and prudently incurred debt costs are recovered from customers.

As at December 31, 2023, 81 per cent of NSPI's debt position is fixed rate in nature, with an average term to maturity of approximately 18 years.

Inflation Risk:
The Company may be exposed to changes in inflation that may result in increased operating and maintenance costs, capital investment, and fuel costs compared to the revenues provided by customer rates. NSPI has robust budgeting and forecasting processes to identify inflationary risk factors and measure operating performance, as well as collective bargaining agreements that mitigate the short-term impact of inflation on labour costs of unionized employees.

E. Guarantees and Letters of Credit

As at December 31, 2023, the Company had $104 million USD (2022 – $119 million USD) of guarantees outstanding with terms of varying lengths, all of which are issued on behalf of its subsidiary, NSPEMI.

As at December 31, 2023, the Company had $3 million USD and $3 million CAD of letters of credit outstanding (2022 – $7 million USD and $3 million CAD).

F. Collaborative Arrangements

For the years ended December 31, 2023 and 2022, the Company has identified the following material collaborative arrangements:

The Company is a participant in three wind energy projects in Nova Scotia. The percentage ownership of the wind project assets is based on the relative value of each party's project assets by the total project assets. NSPI has power purchase arrangements to purchase the entire net output of the projects and, therefore, NSPI's portion of the revenues are recorded net within regulated fuel for generation and purchased power. NSPI's portion of operating expenses is recorded in "OM&G" on the Consolidated Statements of Income.

NSPI is a participant in a 23.3 megawatt ("MW") wind energy project with Renewable Energy Services Ltd. in Point Tupper, Nova Scotia, with NSPI owning 47.4 per cent. In 2023, NSPI recognized $2 million net expense (2022 – $3 million) in "Fuel for generation and purchased power".

NSPI is a participant in a 102 MW wind energy project with the South Canoe Development Partnership for South Canoe Wind Farm, in New Ross, Nova Scotia, with NSPI owning 49 per cent. In 2023, NSPI recognized a $4 million (2022 – $7 million) net expense in “Fuel for generation and purchased power” and $3 million (2022 – $3 million) in “OM&G”.

NSPI is a participant in a 13.8 MW wind energy project with the Municipality of the District of Guysborough for Sable Wind Farm, near Canso, Nova Scotia, with NSPI owning 49 per cent. In 2023, NSPI recognized a $2 million (2022 – $2 million) net expense in “Fuel for generation and purchased power”.

21. STOCK-BASED COMPENSATION

EMPLOYEE COMMON SHARE PURCHASE PLAN

Eligible employees may participate in Emera’s Employee Common Share Purchase Plan (“ECSPP”). As of December 31, 2023, the plan allows employees to make cash contributions of a minimum of $25 to a maximum of $20,000 per year for the purpose of purchasing common shares of Emera. The Company also contributes 20 per cent of the employee’s contributions to the plan.

The plan allows the reinvestment of dividends except where it is prohibited by law. The maximum aggregate number of Emera common shares reserved for issuance under this plan is 7 million common shares (2022 – 7 million common shares).

Compensation cost for shares issued by Emera for the year ended December 31, 2023, to employees of NSPI under the ECSPP was $2 million (2022 – $2 million) and is included in “OM&G” on the Consolidated Statements of Income.

SHARE UNIT PLANS

The Company participates in Emera’s DSU plan, PSU plan and RSU plan. The DSU, PSU and RSU liabilities are marked-to-market at the end of each period based on an average Emera common share price at the end of the period.

Deferred Share Unit Plan

Under the Directors’ DSU plan, Directors of the Company may elect to receive all or any portion of their compensation in DSUs in lieu of cash compensation, subject to requirements to receive a minimum portion of their annual retainer in DSUs. Directors’ fees are paid on a quarterly basis and, at the time of each payment of fees, the applicable amount is converted to DSUs. A DSU has a value equal to one Emera common share. When a dividend is paid on Emera’s common shares, the Director’s DSU account is credited with additional DSUs. DSUs cannot be redeemed for cash until the Director retires, resigns or otherwise leaves the Board. The cash redemption value of a DSU equals the market value of a common share at the time of redemption, pursuant to the plan. Following retirement or resignation from the Board, the value of the DSUs credited to the participant’s account is calculated by multiplying the number of DSUs in the participant’s account by Emera’s closing common share price on the date the DSUs are redeemed.

Under the executive and senior management DSU plan, each participant may elect to defer all or a percentage of their annual incentive award in the form of DSUs with the understanding, for participants who are subject to executive share ownership guidelines, a minimum of 50 per cent of the value of their actual annual incentive award (25 per cent in the first year of the program) will be payable in DSUs until the applicable guidelines are met.

When incentive awards are determined, the amount elected is converted to DSUs, which have a value equal to the market price of an Emera common share. When a dividend is paid on Emera's common shares, each participant's DSU account is allocated additional DSUs equal in value to the dividends paid on an equivalent number of Emera common shares. Following termination of employment or retirement, and by December 15 of the calendar year after termination or retirement, the value of the DSUs credited to the participant's account is calculated by multiplying the number of DSUs in the participant's account by the average of Emera's stock closing price for the fifty trading days prior to a given calculation date. Payments are usually made in cash.

In addition, special DSU awards may be made from time to time by the Emera Management Resources and Compensation Committee ("MRCC") to selected executives and senior management to recognize singular achievements or to achieve certain corporate objectives.

A summary of the activity related to employee and director DSUs for the year ended December 31, 2023, is presented in the following table:

	Employee DSU	Weighted Average Grant Date Fair Value	Director DSU	Weighted Average Grant Date Fair Value
Outstanding as at December 31, 2022	30,743	$ 46.92	94,141	$ 45.80
Granted including Dividend Reinvestment Program ("DRIP")	16,252	51.18	15,360	49.78
Outstanding as at December 31, 2023	**46,995**	**$ 48.39**	**109,501**	**$ 46.36**

Compensation cost recovery for employee and director DSU for the year ended December 31, 2023 was nil (2022 – $1 million). Tax expense related to this compensation cost recovery was nil for share units in 2023 and 2022. The aggregate intrinsic value of the outstanding shares for the year ended December 31, 2023 was $8 million (2022 – $6 million). Cash payments made during the year ended December 31, 2023 associated with the DSU plan were nil (2022 – nil).

Performance Share Unit Plan

Under the PSU plan, certain executive and senior employees are eligible for long-term incentives payable through the PSU plan. PSUs are granted annually for three-year overlapping performance cycles, resulting in a cash payment. PSUs are granted based on the average of Emera's stock closing price for the fifty trading days prior to the effective grant date. Dividend equivalents are awarded and paid in the form of additional PSUs. The PSU value varies according to the Emera common share market price and corporate performance.

PSUs vest at the end of the three-year cycle and the payouts will be calculated and approved by the MRCC early in the following year. The value of the payout considers actual service over the performance cycle and will be pro-rated in certain departure scenarios. In the case of retirement, as defined in the PSU plan, grants may continue to vest in full and payout in normal course post-retirement.

A summary of the activity related to employee PSUs for the year ended December 31, 2023, is presented in the following table:

	Employee PSU	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (millions of dollars)
Outstanding as at December 31, 2022	51,413	$ 56.50	$ 3
Granted including DRIP	32,039	52.47	
Exercised	(17,891)	54.62	
Forfeited	(1,527)	57.07	
Transferred	(1,247)	56.38	
Outstanding as at December 31, 2023	**62,787**	**$ 54.96**	**$ 3**

Compensation cost recognized for the PSU plan for the year ended December 31, 2023, was $1 million (2022 – $1 million). Tax benefits realized related to this compensation cost were nil for share units in 2023 and 2022. Cash payments made during the year ended December 31, 2023 associated with the PSU plan were $1 million (2022 – $1 million).

Restricted Share Unit Plan

Under the RSU plan, certain executive and senior employees are eligible for long-term incentives payable through the RSU plan. RSUs are granted annually for three-year overlapping cycles, resulting in a cash payment. RSUs are granted based on the average of Emera's stock closing price for the fifty trading days prior to the effective grant date. Dividend equivalents are awarded and paid in the form of additional RSUs. The RSU value varies according to the Emera common share market price.

RSUs vest at the end of the three-year cycle and the payouts will be calculated and approved by the MRCC early in the following year. The value of the payout considers actual service over the performance cycle and may be pro-rated in certain departure scenarios. In the case of retirement, as defined in the RSU plan, grants may continue to vest in full and payout in normal course post-retirement.

A summary of the activity related to employee RSUs for the year ended December 31, 2023, is presented in the following table:

	Employee RSU	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (millions of dollars)
Outstanding as at December 31, 2022	47,144	54.64	$ 2
Granted including DRIP	27,254	52.01	
Exercised	(12,779)	54.62	
Forfeited	(2,168)	55.47	
Transferred	(1,247)	56.38	
Outstanding as at December 31, 2023	**58,204**	**54.80**	**$ 3**

Compensation cost recognized for the RSU plan for the year ended December 31, 2023, was $1 million (2022 – $1 million). Tax benefits realized related to this compensation cost were nil for share units in 2023 and 2022. Cash payments made during the year ended December 31, 2023, associated with the RSU plan were $1 million (2022 – nil).

22. VARIABLE INTEREST ENTITIES

The Company has identified certain long-term purchase power agreements that meet the definition of 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.

For the year ended December 31, 2023, the Company has not identified any new VIEs.

23. SUBSEQUENT EVENTS

These consolidated financial statements and notes reflect NSPI's evaluation of events occurring subsequent to the balance sheet date through February 26, 2024, the date the financial statements were issued.