


**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE PUBLIC UTILITIES ACT**

- and -

**IN THE MATTER OF NOVA SCOTIA POWER INCORPORATED'S** Code of Conduct governing Affiliate Transactions and Application for Approval of a Cost Allocation Manual

**BEFORE:**

 Peter W. Gurnham, Q.C. Chair  
Roberta J. Clarke, Q.C., Member  
Richard J. Melanson, LL.B., Member

**ORDER**

**WHEREAS** the Nova Scotia Utility and Review Board held a public hearing to review the Audit Report prepared by NorthStar Consulting Group of Nova Scotia Power Incorporated's (NS Power) compliance with its Code of Conduct governing Affiliate Transactions (Affiliate Code of Conduct) and issued its Decision on March 9, 2018 (2018 NSUARB 45);

**AND WHEREAS** in its Order following that Decision, the Board directed NS Power to: revise its Affiliate Code of Conduct in a collaborative process led by an independent consultant chosen by the Board; to revise its Guidelines to be consistent with the revised Code and file the Guidelines with the Board; and, to develop a Cost Allocation Manual which requires approval of the Board;

**AND WHEREAS** the Board engaged Grant Thornton LLP to lead the process for the revision of the Affiliate Code of Conduct;

**AND WHEREAS** NS Power applied to the Board for approval of a Cost Allocation Manual on December 28, 2018, and by letter dated January 10, 2019, the Board advised NS Power and interested parties that the revisions of the Code should be complete before it considered the application for approval of the Cost Allocation Manual;

**AND WHEREAS** Grant Thornton filed a revised Code with the Board on May 2, 2019, and the Board issued a timetable for the review process;

**AND WHEREAS** the Consumer Advocate filed evidence, and the Board received comments from Grant Thornton, NS Power, and the Small Business Advocate on the revisions to the Code as drafted by Grant Thornton, and reply submissions from both the Consumer Advocate and NS Power;

**AND WHEREAS** the Board, after considering the comments and submissions, issued a draft final version of the Affiliate Code of Conduct, together with a redline version of the Grant Thornton draft, to NS Power and interested parties, and invited comments on any wording which might require clarification;

**AND WHEREAS** NS Power, by letter dated November 20, 2019, noted clarifications for Section 4.5.3 and Section 7.1.2 (f) of the Board's draft Code, and no other comments were received by the Board;

**AND WHEREAS** the Board will issue instructions and a timetable regarding the filing of the revised Guidelines and Cost Allocation Manual at a later date;

**IT IS HEREBY ORDERED THAT** the NS Power Code of Conduct governing Affiliate Transactions, attached hereto, be and is approved, effective January 1, 2020.

**DATED** at Halifax, Nova Scotia, this 2nd day of December, 2019.

  
Clerk of the Board



## **Nova Scotia Power Inc. CODE of CONDUCT governing Affiliate Transactions**

Statement from the President and CEO of Nova Scotia Power Inc. ("NS Power"):

The Affiliate Code of Conduct (the "Code") governs the conduct of NS Power as it relates to its business dealings with its Affiliates. NS Power endorses and respects the spirit and intent behind the Code and adopts it in full as the standard against which its transactions with Affiliates will be assessed.

NS Power's executives and senior management expect all employees to comply fully with all provisions of the Code.

### **1 PURPOSE**

#### **1.1 Purpose**

The purpose of the Code is to ensure that:

- (a) NS Power only enters into Affiliate Transactions when doing so has been demonstrated through sound, documented analysis to be the best available option for NS Power's customers at the time;
- (b) NS Power does not subsidize its Affiliates by charging too little or paying too much for Affiliate Transactions;
- (c) NS Power's customers do not bear any risks or losses because of its Affiliates;
- (d) NS Power's organization and management is focused on providing Utility Services;
- (e) Customer information maintained by NS Power is protected in Affiliate Transactions;
- (f) NS Power's financial records and other financial information are kept separate from those of its affiliates; and
- (g) NS Power complies with the Code by developing and maintaining a Cost Allocation Manual ("CAM") and Code of Conduct Guidelines ("Guidelines"), filing an Annual Affiliate Code of Conduct Report, and entering into Service Level Agreements ("SLAs") with its Affiliates.

### **2 DEFINITIONS**

The following terms are used in the Code. When used in the Code, including Section 1.1, defined terms are capitalized.

#### **2.1 Affiliate**

An "affiliate" in accordance with subsections 2(2), 2(3), and 2(4) of the Nova Scotia Companies Act or any business entity deemed by the Nova Scotia Utility and Review Board ("UARB") to be an Affiliate of NS Power for purposes of the Code.

#### **2.2 Affiliate Transactions**

Any transaction between NS Power and an Affiliate in which NS Power provides a good, a service, labour or the use of an asset to the Affiliate or receives a good, a service, labour or the use of an asset from the Affiliate.

#### **2.3 Capital Assets**

Capital Assets include tangible assets, such as property, plant and equipment, and intangible assets, such as trademarks, proprietary know-how and patents, that are held for use in the

production or supply of goods and services. They are intended for use on a continuing basis and are not intended for sale in the ordinary course of business.

#### **2.4 Confidential Information**

Any information related to a specific customer of NS Power and commercially sensitive information regarding the planning, operations, finances or strategy of NS Power, which has been obtained or compiled in the process of providing current or prospective Utility Services and which is not otherwise available to the public.

#### **2.5 Executive Leadership Team**

The Executive Leadership Team (“ELT”) is comprised of those senior positions required to manage NS Power’s activities, which may include but are not limited to: the President and Chief Executive Officer (“CEO”), the Chief Operating Officer (“COO”), Executive Vice Presidents and Vice Presidents.

#### **2.6 Information Systems**

Any computer systems, computer services, databases, electronic storage services or electronic communication media used by NS Power or its Affiliates related to their customers or their operations.

#### **2.7 Officer**

An Officer is a high-level management official of a corporation appointed by the board of directors of that corporation, such as a president, vice president, secretary, chief financial officer, COO or CEO.

#### **2.8 Service Level Agreement**

A SLA is an agreement between NS Power and an Affiliate covering regularly recurring transactions that describes the services to be provided, pricing and other terms and conditions.

#### **2.9 True-Up**

The charge or refund of the difference between a budgeted or estimated amount and an actual amount incurred. This applies both to the cost and to any applicable statistical allocation base.

#### **2.10 Utility Services**

Services provided by NS Power, the terms and conditions of which are regulated by the UARB under the Public Utilities Act.

### **3 CORPORATE STRUCTURE**

#### **Objective**

To separate Utility Services from Affiliate activities.

#### **Protocols**

##### **3.1 Organizational Structure**

Emera Inc. (“Emera”), the parent company of NS Power will create and maintain a corporate organizational structure which ensures that Utility Services are provided solely by NS Power and by no other Affiliate.

### **3.2 Affiliate Exemptions**

Notwithstanding Section 2.1, because NSP Maritime Link Incorporated and NSP Energy Marketing Inc. have a unique relationship with NS Power, for the purposes of the Code, the pricing provisions of the Code do not apply to them.

### **3.3 List of Affiliates**

NS Power will maintain a complete list of its Affiliates. The list will include the name, and address of each Affiliate, a brief description of its activities and the names, addresses and telephone numbers of its officers. The list will be kept on open file with the UARB.

### **3.4 Notification of Changes to Affiliates**

In addition to its annual compliance requirements in Section 7.3(a), NS Power will notify the UARB of any Affiliates created or acquired within 30 days, subject to confidentiality concerns identified by NS Power. If such confidentiality concerns exist, NS Power will notify the UARB on a confidential basis. NS Power will also file updates to its list of corporate Affiliates with the UARB on a quarterly basis with the information that is required in Section 3.3.

### **3.5 Common Directors**

NS Power and its Affiliates may have the same individual sit as a director on their respective Boards of Directors.

## **4 UTILITY MANAGEMENT**

### **Objective**

To dedicate to the provision of Utility Services, in terms of quality and numbers, a management team capable of maintaining a superior level of performance.

### **Protocols**

#### **4.1 Separate Officers and Management**

Subject to Section 4.2 or prior approval of the UARB, NS Power's Officers must be separate from those of its Affiliates and the members of NS Power's ELT must be separate from the management of its Affiliates.

#### **4.2 Separate Officers and Management Exception**

Officers of any Affiliate of which NS Power is a subsidiary or that is a subsidiary of NS Power, may also be Officers of NS Power as may be required or desirable to perform corporate governance, finance (including securities regulation, financial statements and reporting), policy and strategic direction for NS Power or such Affiliates or both.

#### **4.3 Conflicts of Interest**

Notwithstanding Section 4.1 or Section 4.2, an individual shall not act as both an Officer or member of the ELT of NS Power and as an Officer or member of a management team of any other Affiliate (thereby acting in a dual capacity), unless the individual is able to carry out his/her responsibilities in a manner that preserves the form, and the spirit and intent of the Code. In particular, such an individual:

- (a) shall not agree to act in a dual capacity if it appears to be detrimental to the interests of NS Power or the customers of NS Power; and

- (b) if acting in a dual capacity, shall abstain from engaging in any activity that appears to be detrimental to the interests of customers of NS Power.

NS Power's Director of Procurement, who is not on NS Power's ELT, and need not be, should not be shared with any Affiliate which enters into an Affiliate Transaction with NS Power.

NS Power may transfer employees to an Affiliate, provided that any employee transferred by NS Power who had access to Confidential Information shall execute a confidentiality agreement with respect to such Confidential Information prior to the transfer.

#### **4.4 Notification of Changes to the Executive Leadership Team**

NS Power will notify the UARB within 30 days of any changes made to the composition of NS Power's ELT.

#### **4.5 Degree of Separation**

##### **4.5.1 Information Systems Separation**

The financial records and other information of NS Power will be kept separate from those of its Affiliates. All systems containing such records and information shall include sufficient protections to preclude access by non-NS Power employees. The administrator of such systems shall, at least annually, test those protections and attest to their effectiveness.

##### **4.5.2 Access to Financial and Operational Information**

Emera, as the sole shareholder of NS Power, is entitled to access and review NS Power's financial information for purposes relating to financial reporting, and to access and review operational information provided there is no information conduit to affiliates.

##### **4.5.3 Restricted Access to Information**

NS Power will not provide Confidential Information of a specific customer of NS Power to Affiliates without the prior consent of the customer.

NS Power will make its Confidential Information available to other persons on terms no less favorable than those that NS Power has offered or provided to any Affiliates.

NS Power will not provide any Confidential Information received from Nalcor, including, but not limited to, the 24 month forecast received from Nalcor Energy, to any of NS Power's Affiliates.

## **5 UTILITY FINANCING**

### **Objective**

To ensure there is no recourse to NS Power's assets in the event Emera or one of its Affiliates is placed into bankruptcy.

To maintain NS Power's capital structure in accordance with applicable UARB decisions.

### **Protocols**

### **5.1 Protecting NS Power's Assets**

NS Power's capital structure will not be used to subsidize Affiliate activities. Affiliate risks or losses will not be borne by NS Power's customers. NS Power shall not, without prior approval of the UARB:

- (a) enter into contractual arrangements to assume responsibility for debt or other obligations of Emera or any other Affiliate;
- (b) agree to pledge any assets to secure debt or obligations of Emera or its Affiliates; or
- (c) agree to borrowings of Emera or its Affiliates with recourse to NS Power or permit cross-defaults or a cross-default event whereby NS Power will be in default of its borrowings due to the actions of Emera or its Affiliates.

### **5.2 Restricted Financial Transactions**

NS Power shall not, without the prior approval of the UARB:

- (a) provide loans to, guarantee the indebtedness of, or invest in securities of an Affiliate;
- (b) enter into any type of money pool arrangement that includes non-utility Affiliates; or
- (c) pledge financial support or cash flow for the benefit of an Affiliate.

NS Power shall, unless the UARB authorizes otherwise:

- (a) cause all credit facility, debt and preferred stock financings to be solicited, negotiated and acquired independently by NS Power
- (b) maintain standalone credit ratings;
- (c) keep cash management systems separate from its Affiliates; and
- (d) make reasonable efforts to settle all inter-Affiliate receivables and payables monthly.

### **5.3 Partnerships**

NS Power's formation of partnerships with Affiliates shall not in any way allow avoidance of the restrictions in Section 5.1 and Section 5.2.

## **6 FAIR DEALING**

### **Objective**

To avoid discrimination in the matter of pricing or in any other manner against non-affiliated buyers of Utility Services.

To avoid subsidy by NS Power of the costs, revenues or activities of Affiliates.

### **Protocols**

#### **6.1 Equal Access**

NS Power will provide access to Utility Services on a non-discriminatory basis and will not, in respect of Utility Services, directly or indirectly provide, state, imply or offer any preference or favored treatment to Affiliates or persons purchasing Affiliate goods or services.

## **6.2 General Pricing Principles**

### **6.2.1 Affiliate Pricing**

Except where pricing is otherwise specified in this Code or an exception has been explicitly approved in accordance with Section 6.3.5:

- (a) NS Power will charge an Affiliate a price for each Affiliate Transaction no less than fair market value ("FMV") or its fully allocated costs ("FAC"), whichever is greater; and
- (b) NS Power will pay an Affiliate a price for each Affiliate Transaction no more than FMV or its self-provisioning costs, whichever is less. If FMV cannot be determined, NS Power will pay an Affiliate a price for each Affiliate Transaction no more than the Affiliate's FAC or NS Power's self-provisioning costs, whichever is less.

### **6.2.2 Determining Fair Market Value**

FMV refers to a generally accepted market value that can be substantiated by directly comparable transactions.

NS Power and its Affiliates shall determine and document prices based on FMV through the use, where practicable, of offers from competitive tendering or quotes from a minimum of two alternative qualified third-party suppliers. Otherwise, NS Power and its Affiliates shall use the most direct alternative means of establishing FMV prices, including without limitation benchmarking studies, surveys, catalog pricing or recent market transactions.

Where prices based on FMV cannot be determined through reasonably direct and substantially supported means, NS Power will document its inability to make such determination or obtain documentation from its Affiliates documenting their inability to make such determination.

### **6.2.3 Determining Fully Allocated Cost**

There are two aspects of determining FAC. The first involves calculating the costs incurred for the goods, services, labour and assets provided to or obtained from an Affiliate. The second involves allocating those costs to NS Power and/or its Affiliates.

FAC should include all of the costs incurred that can be specifically attributed to producing goods, rendering services, providing labor or operating and maintaining assets, including, but not limited to, salaries, benefits, overhead costs, administrative and general costs, reimbursements, depreciation, and taxes.

FAC incurred specifically for the benefit of NS Power or an Affiliate should be charged directly to NS Power or the Affiliate ("Direct Charge"). FAC incurred for the benefit of two or more Affiliates should be allocated to the recipients of the goods, services, labour or assets using an allocator that best reflects the causal link between the goods produced, services rendered, labour provided, or assets used and the costs incurred.

When FAC is used to determine the price for an Affiliate Transaction, how FAC is to be calculated and allocated should be described in annual budget estimates and the CAM, and the calculation of FAC and the allocation used should be reported in the annual Affiliate Code of Conduct Report.

Where budgets or estimates of FAC have been used to determine monthly charges for Affiliate Transactions, actual FAC will be used to determine the true-ups that should be made periodically but at least annually.



#### **6.2.4 Determining Cost of Personnel**

Determining the cost of personnel incurred by NS Power or an Affiliate providing any service shall be based on the amount of time specifically spent by an employee of NS Power or an Affiliate to provide the service (i.e., positive time reporting) and incorporates an explicit, appropriate designation of the beneficiary or group of beneficiaries of the services provided in each pay period. The cost of personnel will include the Labour Overhead Application Rate. All costs should be directly charged to the clients of the services wherever possible. When a Direct Charge is not possible, costs should next be allocated wherever possible using allocation factors based on cost drivers specifically applicable to the service provided. Only when no other reasonable alternative exists should costs be allocated using general allocation factors not directly related to the services provided.

Where budgets or estimates of personnel costs have been used to determine the initial pricing, actual costs will be used to determine the true-ups that should be made periodically but at least annually.

#### **6.2.5 Annual Budgeting**

All regularly recurring services that NS Power provides to its Affiliates or one of its Affiliates provides to NS Power shall be subject to an annual budget to which both the service providers and recipients must concur in documents reflecting such agreement.

Where budgets or estimates of costs have been used to determine the initial pricing of an Affiliate Transaction, actual costs will be used to determine the true-ups that should be made periodically but at least annually.

### **6.3 Pricing Exceptions**

#### **6.3.1 Utility Services**

NS Power will charge UARB approved rates for all Utility Services provided to Affiliates. When NS Power is the receiver of tariffed services from Affiliates, NS Power will pay the appropriate tariff.

#### **6.3.2 Capital Assets**

Capital Assets transferred from NS Power to an Affiliate or from an Affiliate to NS Power which have a net book value or FMV greater than \$250,000 shall be transferred at a UARB pre-approved price.

All other Capital Assets shall be transferred at net book value.

#### **6.3.3 Management and Administrative Services**

Management and administrative services ("M&A Services") refers to shared services, corporate support services, or enterprise-wide services provided to Affiliates by NS Power or received by NS Power from Affiliates.

Notwithstanding the requirements in Section 6.2, the price for M&A Services rendered by NS Power for an Affiliate, and vice-versa, will equal the providing party's FAC allocated amongst the recipients of the services based on an allocator that best reflects the causal link between the service rendered and the costs incurred.

M&A Services include, but are not limited to:

- (a) Internal Audit & Corporate Security;
- (b) Corporate Secretary and Insurance;
- (c) Security;
- (d) Environmental Policy & Programs;
- (e) Corporate Tax;
- (f) Controllers;
- (g) Treasury;
- (h) Investor Services;
- (i) Pension Administration;
- (j) Human Resources and Strategic Human Resources;
- (k) Safety;
- (l) Information Technology; and
- (m) Procurement.

Where budgets or estimates of costs have been used to determine the initial pricing of M&A Services, actual costs will be used to determine the true-ups that should be made periodically but at least annually.

#### **6.3.4 Flow-Through Charges**

Flow-through charges refer to third-party expenses incurred for the benefit of an Affiliate but initially paid by NS Power and are charged back directly to the Affiliate and vice versa. Flow-through charges include, but are not limited to, insurance premiums, printing charges, shipping and courier charges.

Flow-through charges shall be supported by invoices or other documentation that describes the applicable services or supplies procured on behalf of the Affiliate. The amount charged back is not to include any overhead.

#### **6.3.5 Other Pricing Exceptions**

With prior approval of the UARB, NS Power may use a pricing protocol other than those described above.

## **7 DEMONSTRATING CODE COMPLIANCE**

### **Objective**

To separately and fully account for the value of Affiliate Transactions.

### **Protocols**

#### **7.1 Provisioning Documentation**

##### **7.1.1 Requirements as a Seller/Provider**

Except for Affiliate Transactions covered by a pricing exception in Section 6.3, NS Power will precede a new Affiliate Transaction, or changes contemplated to a regularly recurring Affiliate Transaction, on its own account or working jointly with a third-party supplier (whether by partnership, joint venture, or otherwise), with a sound, objective and transparent process, and shall document, contemporaneously with the time of the decision, the following:

- (a) the name of the Affiliate and, if applicable, the third-party supplier with which NS Power is working jointly,
- (b) a description of the Affiliate Transaction and its terms and conditions,
- (c) the efforts undertaken by NS Power to use the most direct alternative means of establishing FMV prices,
- (d) NS Power's FAC costs plus, if applicable, the price charged by a third-party supplier with which NS Power is working jointly; and
- (e) an explanation describing why the Affiliate Transaction was the best available option for NS Power's customers at the time.

#### 7.1.2 Requirements as a Buyer/Receiver

Except for Affiliate Transactions covered by a pricing exception in Section 6.3, NS Power will precede a new Affiliate Transaction, or changes contemplated to a regularly recurring Affiliate Transaction, on the Affiliate's own account or working jointly with a third-party supplier (whether by partnership, joint venture, or otherwise), with a sound, objective and transparent process, and shall document, contemporaneously with the time of the decision, the following:

- (a) the name of the Affiliate and, if applicable, the third-party supplier with which the Affiliate is working jointly,
- (b) a description of the Affiliate Transaction and its terms and conditions,
- (c) the efforts undertaken by NS Power to use offers from competitive tendering or quotes from a minimum of two alternative qualified third-party suppliers, where practicable;
- (d) NS Power's self-provisioning costs or the cost of joint provisioning with a third-party supplier, if applicable,
- (e) the efforts undertaken by NS Power to use the most direct alternative means of establishing FMV prices, if applicable,
- (f) the Affiliate's FAC costs plus, if applicable, the price charged by a third-party supplier with which the Affiliate is working jointly; and
- (g) an explanation describing why the Affiliate Transaction was the best available option for NS Power's customers at the time.

#### 7.1.3 Small Transaction Exception

To avoid adding materially to the cost of Affiliate Transactions, the provisioning documentation rules set out in Section 7.1.1 and Section 7.1.2 do not apply to an individual Affiliate Transaction that is less than \$100,000. In such circumstances, in addition to providing the name of the Affiliate and terms and conditions of the Affiliate Transaction, the onus is on NS Power to prepare sufficient analysis to demonstrate that the price charged or paid for the Affiliate Transaction is no more than the FMV and that the Affiliate Transaction complies with the standards of Section 1.1 of the Code and that NS Power's actions to meet those standards preceded the decision to transact with the Affiliate.

#### 7.1.4 Confirmation by Executive Leadership Team Required

The documentation required to be maintained regarding Affiliate Transactions shall be prepared by or under the direction of the NS Power manager responsible for the costs that the Affiliate Transaction will cause NS Power to incur, and, in all cases where an individual Affiliate Transaction is \$100,000 or greater, it shall be reviewed and signed by a member of NS Power's ELT confirming approval of transaction decisions made and the sufficiency of the data gathering and analysis underlying them.

#### 7.1.5 Emergency Exception

The provisioning documentation rules set out in Section 7.1.1 through Section 7.1.4 do not apply in the event of an emergency. The circumstances under which NS Power entered into an Affiliate Transaction during an emergency shall be described in a document reviewed and signed by a member of the ELT.

### 7.2 Cost Allocation Manual

NS Power shall maintain a UARB approved CAM that describes the goods, services, labour or assets provided to or obtained from NS Power in Affiliate Transactions and provides a complete and detailed description of its procedures for accounting for and charging, assigning and allocating the costs for these goods, services, labour or assets, including but not limited to:

- (a) a listing of each type of cost which is allocated or directly charged between entities and the factor(s) which is (are) used in the allocation;
- (b) an explanation of the basis for and calculation of each cost allocation factor used for transactions between and among corporate entities;
- (c) a description of the detailed procedures used for identifying and assigning costs shared by Affiliates;
- (d) a description of the control procedures for ensuring proper inter-affiliate cost assignment, including organizational responsibilities and accountabilities and review procedures; and
- (e) detailed procedures for determining FMV.

### 7.3 Affiliate Code of Conduct Report

By April 30th in respect of the preceding year, NS Power shall submit a report to the UARB containing the following information:

- (a) a listing of corporate entities and partnerships in which NS Power's parent company has any amount of ownership. For those entities that are Affiliates, the list shall include the following:
  - (i) name and address of each Affiliate,
  - (ii) brief description of its business activities, and
  - (iii) names, addresses and telephone numbers of all of its officers;
- (b) a copy of NS Power's corporate balanced score card;
- (c) a copy of NS Power's Utility Performance Report, including a summary of NS Power's performance providing results under established utility performance measurements for the last three years, if applicable, and detailed definition and explanation of each performance measurement. Other aspects of the utility performance report format, and contents thereof, shall be agreed upon in advance between NS Power and the UARB;
- (d) a listing of Affiliate Transactions, including the following:
  - (i) a detailed listing of all assets, services and products provided to and from NS Power and each of its Affiliates, by Affiliate,
  - (ii) each item on the listing should indicate the price received or paid and, as appropriate, the relevant FMV or FAC, along with notes providing full explanatory detail,
  - (iii) where FMV is used, an explanation should be provided as to how the value was determined, including the comparative source for the value, and
  - (iv) where cost allocations are involved, a description of the cost allocators and methods used to make the allocations should be included;

- (e) a summary of M&A services and the methodology for ensuring fair allocations of these costs;
- (f) a listing of the number of employees transferred between NS Power and its Affiliates, during the year, including:
  - (i) employee identification number,
  - (ii) former company,
  - (iii) former position,
  - (iv) transfer date,
  - (v) new company, and
  - (vi) new position;
- (g) a copy of the most recent version of NS Power's Guidelines, as specified in Section 7.5;
- (h) a listing of agreements between NS Power and its Affiliates;
- (i) a listing of exceptions to the Code;
- (j) description of interpretations or judgements made by NS Power related to the Code; and
- (k) certificate attesting to employee compliance with the Code in accordance with Section 8.1 of the Code.

#### **7.4 Service Level Agreements**

NS Power is required to have SLAs in place with each Affiliate with which it has a regularly recurring Affiliate Transaction. These SLAs shall include, but not be limited to, the following provisions as appropriate in the circumstances:

- (a) descriptions of each type of good or service;
- (b) pricing, allocation or cost recovery methodology to be used;
- (c) confidentiality arrangements;
- (d) the apportionment of risk;
- (e) dispute resolution provisions;
- (f) representation that the agreement complies with the Code, and
- (g) representation that each Affiliate will make available its books and records for Code Compliance audit purposes.

NS Power is not required to file the SLAs with the UARB, but NS Power is expected to make the SLAs available for review at the direction of the UARB, or at the request of a UARB engaged auditor.

#### **7.5 Code of Conduct Guidelines**

Proper implementation of the Code requires detailed internal Guidelines. NS Power shall prepare, maintain, and review and update at least annually Guidelines that fully comply with the Code's current provisions and that provide employees with guidance appropriate to ensuring its full, timely, and proper implementation and compliance. The Guidelines shall be organized in the same numbering scheme as the Code, that is, guidelines for each Code provision, if applicable.

#### **7.6 Access to Affiliate Books and Records**

All newly entered, renewed, extended, or otherwise altered or amended NS Power agreements with an Affiliate (excepting those energy transactions addressed by the agreement between NS Power and Board Counsel as recorded in 2007 NSUARB 17 4, at para. 42) will contain provisions sufficient to require and assure that the Affiliate will make available all of its books and records (notwithstanding any agreement the Affiliate has with any third party) as may in the judgement of the Board be necessary to:

- (a) examine the market competitiveness of the terms and conditions of such an Affiliate agreement with reference to any similar agreements the Affiliate has with third parties, or
- (b) verify that agreements between the Affiliate and NS Power are independent of and in no way linked to agreements between the Affiliate and third parties in a manner that causes financial or other harm or loss to NS Power.

Moreover, if executed by NS Power no such commitment shall be considered binding, or effective in the absence of such provisions.

### **7.7 Monitoring Compliance**

To monitor compliance, the UARB at any time may review the records of NS Power and the records of its Affiliates as the UARB deems required in assuring compliance with any provisions of the Code and with their duty to deal at arm's length with Affiliates.

### **7.8 Compliance Audit**

NS Power shall be subject to external audits of Affiliate Transactions and transfers of employees between NS Power and its Affiliates from time to time as the UARB determines to be appropriate. The auditor shall be appointed by the UARB. Understanding that internal control remains an important measure, NS Power shall conduct an internal audit program encompassing an appropriate level of testing Affiliate Transactions on an annual basis, except in years subject to an external audit by the UARB. Compliance with Internal Audit requirements will be confirmed through a certificate of compliance from NS Power in accordance with Section 8.1.

### **7.9 Fuel Adjustment Mechanism Audits**

NS Power's energy and fuel transactions are audited under the Fuel Adjustment Mechanism ("FAM") regulatory process. All Affiliate Transactions are to be included in the annual Code of Conduct Report; however, the auditor of Code compliance can rely on the findings submitted by the auditor of the FAM provided there is evidence that the auditor of the FAM conducted a sufficient level of testing of Code compliance.

## **8 DEMONSTRATING EMPLOYEE COMPLIANCE**

### **Objective**

To ensure understanding of and compliance with the Code.

### **Protocols**

#### **8.1 Employee Compliance**

NS Power will ensure that its employees who perform work for Affiliates understand and agree to abide by the Code. NS Power will inform all its managers and employees directly involved in Affiliate activities of their expected behavior relative to the Code and the CAM and will undertake annual training in Code and CAM content, and their use. NS Power will require annual certifications by all employees having engagement in Affiliate Transactions and their pricing and documentation that such employees understand and have complied with the requirements of the Code, the CAM and the Guidelines. NS Power shall also undertake management reviews of compliance sufficient to enable the President of NS Power to certify to the UARB annually in writing that all affected employees have complied with this requirement to the best of their knowledge, information, and belief.

In every calendar year, any person who acts as both a Director or Officer of NS Power and a Director or Officer of Emera or an Affiliate, must:

- (a) complete the Emera Code of Conduct training;
- (b) complete the NS Power Code training; and
- (c) execute a confidentiality undertaking with respect to NS Power's Confidential Information.

Confirmation of this is to be provided by the President of NS Power as part of the Annual Report.

## **9 GENERAL**

### **9.1 Coming into Force**

This Code shall come into effect on January 1, 2020 and replaces the existing Code which has been in effect since October 1, 2015.