EMERA INCORPORATED

Unaudited Condensed Consolidated

Interim Financial Statements

June 30, 2015 and 2014

Emera Incorporated
Condensed Consolidated Statements of Income (Unaudited)

For the millions of Canadian dollars (except per share amounts)	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Operating revenues				
Regulated	**$ 512.3**	$ 494.1	**$ 1,143.5**	$ 1,098.1
Non-regulated	**24.7**	72.5	**293.8**	518.8
Total operating revenues	**537.0**	566.6	**1,437.3**	1,616.9
Operating expenses				
Regulated fuel for generation and purchased power	**173.7**	191.3	**428.7**	442.6
Regulated fuel adjustment mechanism and fixed cost deferrals (note 4)	**22.7**	25.4	**15.5**	25.3
Non-regulated fuel for generation and purchased power	**38.3**	54.1	**191.3**	275.4
Non-regulated direct costs	**13.1**	11.3	**25.0**	21.2
Operating, maintenance and general	**154.4**	134.6	**312.6**	286.1
Provincial, state and municipal taxes	**14.4**	12.8	**28.9**	25.9
Depreciation and amortization	**84.3**	82.1	**167.1**	168.5
Total operating expenses	**500.9**	511.6	**1,169.1**	1,245.0
Income from operations	**36.1**	55.0	**268.2**	371.9
Income from equity investments (note 5)	**32.2**	18.1	**58.1**	22.3
Other income (expenses), net (note 6)	**0.7**	1.8	**22.6**	6.2
Interest expense, net (note 7)	**48.0**	45.3	**92.4**	90.6
Income before provision for income taxes	**21.0**	29.6	**256.5**	309.8
Income tax expense (recovery) (note 8)	**(1.4)**	(5.2)	**60.0**	61.6
Net income	**22.4**	34.8	**196.5**	248.2
Non-controlling interest in subsidiaries	**4.6**	4.7	**10.9**	9.7
Net income of Emera Incorporated	**17.8**	30.1	**185.6**	238.5
Preferred stock dividends	**7.8**	5.6	**15.5**	11.2
Net income attributable to common shareholders	**$ 10.0**	$ 24.5	**$ 170.1**	$ 227.3
Weighted average shares of common stock outstanding (in millions) (note 9)				
Basic	**145.4**	143.2	**145.2**	142.6
Diluted	**146.0**	143.5	**149.3**	147.3
Earnings per common share (note 9)				
Basic	**$ 0.07**	$ 0.17	**$ 1.17**	$ 1.59
Diluted	**$ 0.07**	$ 0.17	**$ 1.16**	$ 1.57
Dividends per common share declared	**$ 0.4000**	$ 0.3625	**$ 0.7875**	$ 0.7250

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

Emera Incorporated
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

For the millions of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Net income	**$ 22.4**	$ 34.8	**$ 196.5**	$ 248.2
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment (1)	**(17.7)**	(59.4)	**171.7**	8.2
Cash flow hedges				
Net derivative gains (losses) (2)	**2.2**	9.8	**(13.7)**	7.9
Less: reclassification adjustment for losses (gains) included in income (3)	**2.0**	1.7	**0.9**	(0.4)
Net effects of cash flow hedges	**4.2**	11.5	**(12.8)**	7.5
Unrealized gains (losses) on available-for-sale investment				
Unrealized gain (loss) arising during the period	**(0.9)**	1.5	**(0.5)**	1.1
Net unrealized holding gains (losses)	**(0.9)**	1.5	**(0.5)**	1.1
Net change in unrecognized pension and post-retirement benefit obligation (4)	**25.1**	8.2	**35.7**	18.9
Other comprehensive income (loss) (5)	**10.7**	(38.2)	**194.1**	35.7
Comprehensive income (loss)	**33.1**	(3.4)	**390.6**	283.9
Comprehensive income (loss) attributable to non-controlling interest	**1.9**	0.5	**21.4**	10.3
Comprehensive income (loss) of Emera Incorporated	**31.2**	(3.9)	**369.2**	273.6

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

1) Net of tax expense of $3.7 million (2014 - $0.5 million tax expense) for the three months ended June 30, 2015 and tax expense of $3.8 million (2014 – $1.4 million tax expense) for the six months ended June 30, 2015.
2) Net of tax expense of $0.4 million (2014 - $1.4 million tax expense) for the three months ended June 30, 2015 and tax expense of $0.6 million (2014 – $4.7 million tax expense) for the six months ended June 30, 2015.
3) Net of tax expense of $0.3 million (2014 - $0.7 million tax expense) for the three months ended June 30, 2015 and tax recovery of $1.9 million (2014 – $1.4 million tax recovery) for the six months ended June 30, 2015.
4) Net of tax expense of $8.5 million (2014 - $0.1 million tax expense) for the three months ended June 30, 2015 and tax expense of $9.1 million (2014 – $0.6 million tax expense) for the six months ended June 30, 2015.
5) Net of tax expense of $12.9 million (2014 - $2.7 million tax expense) for the three months ended June 30, 2015 and tax expense of $11.6 million (2014 – $5.3 million tax expense) for the six months ended June 30, 2015.

Emera Incorporated
Condensed Consolidated Balance Sheets (Unaudited)

As at millions of Canadian dollars		June 30 2015		December 31 2014
Assets				
Current assets				
Cash and cash equivalents	**$**	**176.7**	$	221.1
Restricted cash (note 11)		**18.3**		15.9
Receivables, net (note 12)		**455.4**		514.2
Income taxes receivable		**3.1**		4.8
Inventory (note 13)		**293.1**		294.5
Deferred income taxes		**47.1**		27.9
Derivative instruments (notes 14 and 15)		**133.1**		136.5
Regulatory assets (notes 4 and 16)		**79.0**		115.0
Prepaid expenses		**48.9**		24.7
Due from related parties (note 17)		**1.4**		3.5
Other current assets (note 18)		**50.6**		80.6
Total current assets		**1,306.7**		1,438.7
Property, plant and equipment, net of accumulated depreciation of $3,527.8 and $3,362.0, respectively		**5,832.3**		5,610.2
Other assets				
Income taxes receivable		**48.2**		28.9
Deferred income taxes		**29.4**		33.7
Derivative instruments (notes 14 and 15)		**110.6**		92.0
Pension and post-retirement asset (note 19)		**5.9**		5.9
Regulatory assets (notes 4 and 16)		**532.0**		495.7
Net investment in direct financing lease		**482.1**		484.5
Investments subject to significant influence (note 5)		**827.1**		1,006.8
Available-for-sale investments (note 20)		**105.3**		84.4
Goodwill		**238.1**		221.5
Intangibles, net of accumulated amortization of $88.7 and $88.3, respectively		**156.9**		134.3
Due from related parties (note 17)		**2.5**		2.5
Other long-term assets		**210.3**		205.3
Total other assets		**2,748.4**		2,795.5
Total assets	**$**	**9,887.4**	$	9,844.4

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

Emera Incorporated
Consolidated Condensed Balance Sheets – Continued

As at millions of Canadian dollars	June 30 2015	December 31 2014
Liabilities and Equity		
Current liabilities		
Short-term debt	**$ 7.1**	$ 257.6
Current portion of long-term debt	**92.0**	94.5
Accounts payable	**306.3**	370.7
Income taxes payable	**20.7**	33.8
Deferred income taxes	**0.6**	15.7
Derivative instruments (notes 14 and 15)	**124.4**	127.4
Regulatory liabilities (note 16)	**81.1**	51.0
Pension and post-retirement liabilities (note 19)	**7.4**	7.5
Due to related party (note 17)	**1.6**	1.6
Other current liabilities (note 21)	**164.2**	186.8
Total current liabilities	**805.4**	1,146.6
Long-term liabilities		
Long-term debt (note 22)	**3,613.5**	3,660.3
Deferred income taxes	**687.1**	601.4
Derivative instruments (notes 14 and 15)	**97.0**	77.4
Regulatory liabilities (note 16)	**187.0**	158.9
Asset retirement obligations	**108.5**	106.2
Pension and post-retirement liabilities (note 19)	**341.6**	360.7
Other long-term liabilities	**47.3**	27.5
Total long-term liabilities	**5,082.0**	4,992.4
Commitments and contingencies (note 23)		
Equity		
Common stock, no par value, unlimited shares authorized, 144.78 million and 143.78 million shares issued and outstanding, respectively (note 24)	**2,055.9**	2,016.4
Cumulative preferred stock, Series A, C, E and F, par value $25 per share; unlimited shares authorized, 6 million, 10 million, 5 million, and 8 million shares issued and outstanding, respectively (note 27)	**709.5**	709.5
Contributed surplus	**9.5**	8.8
Accumulated other comprehensive loss (note 10)	**(164.0)**	(347.6)
Retained earnings	**1,068.4**	1,011.7
Total Emera Incorporated equity	**3,679.3**	3,398.8
Non-controlling interest in subsidiaries (note 25)	**320.7**	306.6
Total equity	**4,000.0**	3,705.4
Total liabilities and equity	**$ 9,887.4**	$ 9,844.4

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

Approved on behalf of the Board of Directors

"M. Jacqueline Sheppard" ***"Christopher G. Huskilson***"

Chair of the Board **President and Chief Executive Officer**

Emera Incorporated
Condensed Consolidated Statements of Cash Flows (Unaudited)

For the millions of Canadian dollars	Six months ended June 30 **2015**	2014
Operating activities		
Net income	**$ 196.5**	$ 248.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**172.8**	175.4
Income from equity investments, net of dividends	**(17.8)**	12.3
Allowance for equity funds used during construction	**(1.8)**	(5.5)
Deferred income taxes, net	**(0.3)**	26.1
Net change in pension and post-retirement liabilities	**18.0**	3.9
Regulated fuel adjustment mechanism and fixed cost deferrals	**13.3**	21.0
Net change in fair value of derivative instruments	**31.8**	(52.9)
Net change in regulatory assets and liabilities	**2.0**	(0.4)
Other operating activities, net	**36.6**	0.8
Changes in non-cash working capital:		
Receivables, net	**80.5**	87.6
Income taxes receivable	**(15.6)**	(6.0)
Inventory	**8.5**	6.9
Prepaid expenses	**(23.3)**	(45.0)
Due from related party	**2.1**	-
Other current assets	**(0.9)**	-
Accounts payable	**(83.2)**	(45.0)
Income taxes payable	**(15.2)**	(19.5)
Other current liabilities	**(28.0)**	2.3
Net cash provided by operating activities	**376.0**	410.2
Investing activities		
Additions to property, plant and equipment	**(188.3)**	(135.6)
(Increase) decrease in restricted cash	**(1.3)**	4.7
Net purchase of investments subject to significant influence, inclusive of acquisition costs	**(7.9)**	(144.6)
Allowance for borrowed funds used during construction	**(3.0)**	(1.9)
Retirement spending, net of salvage	**(3.3)**	(3.3)
Loan to related party	**-**	(50.9)
Proceeds on sale of investment subject to significant influence	**282.3**	-
Additions to intangible assets	**(24.7)**	(1.4)
Other investing activities	**(16.3)**	(1.2)
Net cash provided by (used in) investing activities	**37.5**	(334.2)
Financing activities		
Change in short-term debt, net	**(270.5)**	(4.2)
Retirement of long-term debt	**(102.6)**	(14.9)
Proceeds from long-term debt	**425.0**	-
Net borrowings (repayments) under committed credit facilities	**(421.2)**	(368.3)
Issuance of common stock, net of issuance costs	**39.4**	272.1
Issuance of preferred stock, net of issuance costs	**-**	193.9
Dividends on common stock	**(113.4)**	(102.9)
Dividends on preferred stock	**(15.5)**	(11.2)
Dividends paid by subsidiaries to non-controlling interest	**(6.5)**	(5.3)
Other financing activities	**(15.7)**	(2.0)
Net cash (used in) provided by financing activities	**(481.0)**	(42.8)
Effect of exchange rate changes on cash and cash equivalents	**23.1**	(3.9)
Net increase in cash and cash equivalents	**(44.4)**	29.3
Cash and cash equivalents, beginning of period	**221.1**	100.8
Cash and cash equivalents, end of period	**$ 176.7**	$ 130.1
Cash and cash equivalents consists of:		
Cash	**$ 107.4**	$ 72.3
Short-term investments	**69.3**	57.8
Cash and cash equivalents	**$ 176.7**	$ 130.1

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

Emera Incorporated
Condensed Consolidated Statements of Changes in Equity (Unaudited)

millions of Canadian dollars	Common Stock	Preferred Stock	Contributed Surplus	Accumulated Other Comprehensive Loss ("AOCL")	Retained Earnings	Emera Total Equity	Non-Controlling Interest	Total Equity
For the six months ended June 30, 2015								
Balance, December 31, 2014	$ 2,016.4	$ 709.5	$ 8.8	$ (347.6)	$ 1,011.7	$ 3,398.8	$ 306.6	$ 3,705.4
Net income of Emera Incorporated	-	-	-	-	185.6	185.6	10.9	196.5
Other comprehensive income (loss), net of tax expense of $11.6 million	-	-	-	183.6	-	183.6	10.5	194.1
Dividends declared on preferred stock (Series A: $0.5500/share, Series C: $0.5125/share, Series E: $0.5625/share, and Series F: $0.53125/share)	-	-	-	-	(15.5)	(15.5)	-	(15.5)
Dividends declared on common stock ($0.7875/share)	-	-	-	-	(113.4)	(113.4)	-	(113.4)
Dividends paid and payable by subsidiaries to non-controlling interest	-	-	-	-	-	-	(1.3)	(1.3)
Common stock issued under purchase plan	38.4	-	-	-	-	38.4	-	38.4
Senior management stock options exercised	0.6	-	-	-	-	0.6	-	0.6
Stock option expense	-	-	0.7	-	-	0.7	-	0.7
Other stock-based compensation	0.5	-	-	-	-	0.5	-	0.5
Preferred dividends paid and payable by subsidiaries to non-controlling interest	-	-	-	-	-	-	(5.5)	(5.5)
Other	-	-	-	-		-	(0.5)	(0.5)
Balance, June 30, 2015	$ 2,055.9	$ 709.5	$ 9.5	$ (164.0)	$ 1,068.4	$ 3,679.3	$ 320.7	$ 4,000.0

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

Emera Incorporated
Condensed Consolidated Statements of Changes in Equity (Unaudited) – Continued

millions of Canadian dollars	Common Stock	Preferred Stock	Contributed Surplus	Accumulated Other Comprehensive Loss ("AOCL")	Retained Earnings	Emera Total Equity	Non-Controlling Interest	Total Equity
For the six months ended June 30, 2014								
Balance, December 31, 2013	$ 1,703.0	$ 514.0	$ 4.1	$ (430.1)	$ 817.2	$ 2,608.2	$ 289.0	$ 2,897.2
Net income of Emera Incorporated	-	-	-	-	238.5	238.5	9.7	248.2
Other comprehensive income (loss), net of tax expense of $5.3 million	-	-	-	35.1	-	35.1	0.6	35.7
Issuance of common stock, net of after-tax issuance costs	243.0	-	-	-	-	243.0	-	243.0
Dividends declared on preferred stock (Series A: $0.5500/share, Series C: $ 0.5125/share and Series E: $0.5625/share)	-	-	-	-	(11.2)	(11.2)	-	(11.2)
Dividends declared on common stock ($0.7250/share)	-	-	-	-	(102.9)	(102.9)	-	(102.9)
Dividends paid by subsidiaries to non-controlling interest	-	-	-	-	-	-	(0.9)	(0.9)
Issuance of preferred shares, net of after-tax issuance costs	-	195.8	-	-	-	195.8	-	195.8
Common stock issued under purchase plan	31.3	-	-	-	-	31.3	-	31.3
Senior management stock options exercised	0.5	-	-	-	-	0.5	-	0.5
Stock option expense	-	-	0.6	-	-	0.6	-	0.6
Other stock-based compensation	0.5	-	-	-	-	0.5	-	0.5
Preferred dividends paid by subsidiaries to non-controlling interest	-	-	-	-	-	-	(5.4)	(5.4)
Other	-	-	-	4.8	1.7	6.5	(1.0)	5.5
Balance, June 30, 2014	$ 1,978.3	$ 709.8	$ 4.7	$ (390.2)	$ 943.3	$ 3,245.9	$ 292.0	$ 3,537.9

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

Emera Incorporated
Notes to the Condensed Consolidated Interim Financial Statements
As at June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies for both the regulated and non-regulated operations of Emera Incorporated are as follows:

A. Nature of Operations

Emera Incorporated ("Emera" or the "Company") is an energy and services company which invests in electricity generation, transmission and distribution, gas transmission and utility energy services.

Emera's primary rate-regulated subsidiaries and investments at June 30, 2015 included the following:

- Nova Scotia Power Inc. ("NSPI"), which is a fully integrated electric utility and the primary electricity supplier in Nova Scotia, serving 505,000 customers;
- Emera Maine provides electric transmission and distribution services to 157,000 customers in the State of Maine in the United States;
- an 80.7 per cent interest in Emera (Caribbean) Incorporated ("ECI"), the parent of The Barbados Light & Power Company Limited ("BLPC"), which is a vertically integrated utility and sole provider of electricity on the island of Barbados, serving 126,000 customers; a 41.8 per cent indirect interest, through ECI's 51.9 per cent controlling interest, in Dominica Electricity Services Ltd. ("Domlec"), an integrated utility on the island of Dominica, serving 36,000 customers; and a 15.4 per cent indirect interest, through ECI, in St. Lucia Electricity Services Limited ("Lucelec"), which is a vertically integrated regulated electric utility in St. Lucia;
- a 50.0 per cent direct and 30.4 per cent indirect interest (through a 60.7 per cent interest in ICD Utilities Limited ("ICDU")) in Grand Bahama Power Company Limited ("GBPC"), which is a vertically integrated utility and sole provider of electricity on Grand Bahama Island, serving 19,000 customers;
- Emera Brunswick Pipeline Company Limited ("Brunswick Pipeline"), which is a 145-kilometre pipeline delivering re-gasified liquefied natural gas from Saint John, New Brunswick to the United States border under a 25-year firm service agreement with Repsol Energy Canada ("REC");
- Emera Newfoundland & Labrador Holdings Inc. ("ENL"), focused on two transmission investments related to the development of an 824 megawatt ("MW") hydroelectric generating facility at Muskrat Falls on the Lower Churchill River in Labrador, scheduled to be in service in 2017. ENL's two investments are:
    - 100 per cent interest in NSP Maritime Link Inc. ("NSPML"), which is developing the Maritime Link Project, a $1.56 billion transmission project, including two 170-kilometre sub-sea cables, between the island of Newfoundland and Nova Scotia;
    - 37.5 per cent interest in the partnership capital of Labrador-Island Link Limited Partnership, ("LIL"), which is a $2.8 billion electricity transmission project in Newfoundland and Labrador to enable the transmission of the Muskrat Falls energy between Labrador and the island of Newfoundland;
- a 12.9 per cent interest in Maritimes & Northeast Pipeline ("M&NP"), which is a 1,400-kilometre pipeline which transports natural gas from offshore Nova Scotia to markets in Maritime Canada and the northeastern United States;

Emera Incorporated and its subsidiaries also own investments in other energy-related companies, including:

- Emera Energy Inc. ("Emera Energy"), includes:
    - Emera Energy Services ("EES"), a physical energy business that purchases and sells natural gas and electricity and provides related energy asset management services;
    - Bridgeport Energy, Tiverton Power and Rumford Power ("New England Gas Generating Facilities"), comprising 1,090 MW of combined-cycle gas-fired electricity generating capacity in the northeastern United States;
    - Bayside Power Limited Partnership ("Bayside Power"), which is a 290 MW electricity generating facility in Saint John, New Brunswick;
    - Brooklyn Power Corporation ("Brooklyn Energy"), which is a 30 MW biomass co-generation merchant electricity facility in Brooklyn, Nova Scotia. Brooklyn Energy has a long-term purchase power agreement with NSPI;
    - a 50.0 per cent joint venture interest in Bear Swamp Power Company LLC ("Bear Swamp"), which is a 600 MW pumped storage hydroelectric facility in northern Massachusetts;
    - a 49.0 per cent interest in Northeast Wind Partners II, LLC ("NWP"), a 419 MW portfolio of wind energy projects in the northeastern United States, which was sold on January 29, 2015;
- Emera Reinsurance Limited, which is a captive insurance company providing insurance and reinsurance to Emera and affiliates, to enable more cost efficient management of risk and deductible levels across Emera;
- Emera Utility Services Inc., which is a utility services contractor primarily operating in Atlantic Canada;
- Emera Utility Services (Bahamas) Limited ("EUS Bahamas") provides utility construction services and plant operation services in The Bahamas;
- a 20.9 per cent investment in Algonquin Power & Utilities Corp. ("APUC"), which is a public company traded on the Toronto Stock Exchange under the symbol "AQN";
- a 36.6 per cent investment in Atlantic Hydrogen Inc. ("AHI");
- a 3.3 per cent investment in OpenHydro Group Ltd. ("Open Hydro");
- and other investments.

B. Basis of Presentation

These unaudited condensed consolidated interim financial statements are prepared and presented in accordance with United States Generally Accepted Accounting Principles ("USGAAP"). These unaudited condensed consolidated interim financial statements do not contain all disclosures required by USGAAP for annual audited financial statements. Accordingly, the financial statements should be read in conjunction with Emera Incorporated's annual audited financial statements as at and for the year ended December 31, 2014.

In the opinion of management, these unaudited condensed consolidated interim financial statements include all adjustments that are of a recurring nature and necessary to fairly state the financial position of Emera Incorporated. Financial results for this interim period are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 31, 2015.

All dollar amounts are presented in Canadian dollars, unless otherwise indicated.

C. Use of Management Estimates

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

D. Seasonal Nature of Operations

Interim results are not necessarily indicative of results for the full year, primarily due to seasonal factors. Electricity sales and related generation vary significantly over the year; the first quarter is typically the strongest period, reflecting colder weather and fewer daylight hours in the winter season in northeastern North America, where a substantial portion of Emera's electricity business is located. Certain quarters may also be impacted by the number and severity of storms.

2. FUTURE ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers, ASU No. 2014-09
In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers,* which creates a new, principle-based revenue recognition framework and a new topic in the Accounting Standards Codification ("ASC"), Topic 606. ASC 606 also changes the basis for determining when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific aspects of revenue recognition and expands revenue disclosures. On July 9, 2015, the FASB deferred the effective date by one year. This standard will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2017.

The Company is currently in the process of evaluating the impact of adoption of this standard on the consolidated financial statements.

Income Statement – Extraordinary and Unusual Items, ASU No. 2015-01
In January 2015, the FASB issued ASU 2015-01, *Income Statement – Extraordinary and Unusual Items,* which simplifies the income statement presentation requirements by eliminating the concept of extraordinary items. ASU No. 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of this standard to have an impact on results of its operations.

Consolidation, ASU No. 2015-02
In February 2015, the FASB issued ASU 2015-02, *Consolidation,* which changes the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to re-evaluation under the revised consolidation model. ASU No. 2015-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of this standard to have an impact on the results of its operations.

Interest – Imputation of Interest, ASU 2015-03
In April 2015, the FASB issued ASU 2015-03, Interest – *Imputation of Interest*, which simplifies the presentation of debt issuance costs. The amendments require debt issuance costs be presented in the

balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in the update. ASU 2015-03 is effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2015. The Company is currently in the process of evaluating the impact of adoption of this standard on the consolidated financial statements.

Compensation – Retirement Benefits, ASU No. 2015-04
In April 2015, the FASB issued ASU 2015-04, *Compensation – Retirement Benefits,* which is part of FASB's initiative to reduce complexity in accounting standards. This standard provides certain practical expedients for defined benefit pension or other post-retirement benefit plan measurement dates. ASU No. 2015-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of this standard to have an impact on results of its operations.

Intangibles – Goodwill and Other – Internal-Use Software, ASU 2015-05
In April 2015, the FASB issued ASU 2015-05, *Intangibles* **–** *Goodwill and Other* **–** *Internal-Use Software,* which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer's accounting for service contracts. ASU No. 2015-05 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company is currently in the process of evaluating the impact of adoption of this standard on the consolidated financial statements.

Fair Value Measurement Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) – ASU No. 2015-07
In May 2015, the FASB issued ASU 2015-07 removing the requirement to categorize and disclose, within the fair value hierarchy, all investments for which fair value is measured using the net asset value per share as a practical expedient. ASU 2015-07 is effective beginning after December 15, 2015 and requires retrospective application. The Company is currently in the process of evaluating the impact of adoption of this standard on the consolidated financial statements.

Technical Corrections and Improvements - ASU No. 2015-10
In June 2015, the FASB issued ASU No. 2015-10 covering a wide range of topics in the codification to correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost and are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company is currently in the process of evaluating the impact of adoption of this standard on the consolidated financial statements.

Inventory – Simplifying the Measurement of Inventory, ASU 2015-11
In July 2015, the FASB issued ASU 2015-11, Inventory – *Simplifying the Measurement of Inventory*. The amendments require an entity to measure inventory at the lower of cost or net realizable value, whereas previously, inventory was measured at the lower of cost or market. ASU 2015-01 is effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2016. The Company is currently in the process of evaluating the impact of adoption of this standard on the consolidated financial statements.

3. SEGMENT INFORMATION

Emera manages its reportable segments separately due to their different geographical, operating and regulatory environments. Segments are reported based on each subsidiary's contribution of revenues, net income attributable to common shareholders and total assets.

As at June 30, 2015, Emera has six reportable segments, specifically:

- NSPI;
- Emera Maine;
- Emera Caribbean (ECI and its subsidiaries including BLPC and Domlec; GBPC and EUS Bahamas and an equity investment in Lucelec);
- Pipelines (Brunswick Pipeline and an equity investment in M&NP);
- Emera Energy (Emera Energy Services, New England Gas Generating Facilities, Bayside Power, Brooklyn Energy, equity investments in Bear Swamp and NWP for January 1, 2015 to January 29, 2015, when Emera sold its interest in NWP); and
- Corporate and Other (Emera Utility Services, ENL, Corporate, other strategic investments (including APUC), holding companies, and inter-segment eliminations).

millions of Canadian dollars	NSPI	Emera Maine	Emera Caribbean	Pipelines	Emera Energy	Corporate, Other and Eliminations	Total
For the three months ended June 30, 2015							
Operating revenues from external customers (1)	$ 327.4	$ 66.2	$ 106.8	$ 13.0	6.1	$ 3.7	$ 523.2
Inter-segment revenues (1)	-	-	2.4	-	6.7	4.7	13.8
Total operating revenues	327.4	66.2	109.2	13.0	12.8	8.4	537.0
Net income (loss) attributable to common shareholders	16.9	13.7	4.8	7.9	(33.2)	(0.1)	10.0
For the six months ended June 30, 2015							
Operating revenues from external customers (1)	773.9	135.4	209.8	26.1	256.3	7.8	1,409.3
Inter-segment revenues (1)	-	-	4.8	-	14.3	8.9	28.0
Total operating revenues	773.9	135.4	214.6	26.1	270.6	16.7	1,437.3
Net income attributable to common shareholders	84.9	25.2	13.6	17.8	31.7	(3.1)	170.1
For the three months ended June 30, 2014							
Operating revenues from external customers (1)	$ 308.8	$ 52.5	$ 121.4	$ 12.4	57.8	$ 5.0	$ 557.9
Inter-segment revenues (1)	-	-	1.9	-	3.4	3.4	8.7
Total operating revenues	308.8	52.5	123.3	12.4	61.2	8.4	566.6
Net income (loss) attributable to common shareholders	17.1	7.0	7.8	8.3	(14.5)	(1.2)	24.5
For the six months ended June 30, 2014							
Operating revenues from external customers (1)	726.4	117.1	232.4	23.8	494.1	10.1	1,603.9
Inter-segment revenues (1)	0.1	-	4.1	-	3.1	5.7	13.0
Total operating revenues	726.5	117.1	236.5	23.8	497.2	15.8	1,616.9
Net income attributable to common shareholders	83.9	17.4	14.4	15.5	102.7	(6.6)	227.3

(1) All significant inter-company balances and inter-company transactions have been eliminated on consolidation except for certain transactions between non-regulated and regulated entities that have not been eliminated because management believes that the elimination of these transactions would understate property, plant and equipment, operating, maintenance and general expenses, or regulated fuel for generation and purchased power. Eliminated transactions are included in determining reportable segments.

4. REGULATED FUEL ADJUSTMENT MECHANISM AND FIXED COST DEFERRALS

Regulated fuel adjustment mechanism and fixed cost deferrals over (under) recovery consists of the following:

For the millions of Canadian dollars		Three months ended June 30			Six months ended June 30	
		2015	2014		**2015**	2014
Regulated fuel adjustment mechanism (see chart below)	**$**	**20.8**	$ 10.0	**$**	**15.4**	$ (2.0)
Application of non-fuel revenue per December 2, 2014 Nova Scotia Utility and Review Board ("UARB") settlement agreement as discussed below		**10.6**	-		**17.6**	-
Regulated fixed cost deferral related to 2013/2014 rate stabilization		**-**	15.4		**-**	27.3
Regulated fixed cost deferral related to 2015 demand side management		**(8.7)**	-		**(17.5)**	-
	$	**22.7**	$ 25.4	**$**	**15.5**	$ 25.3

Regulated Fuel Adjustment Mechanism

The regulated fuel adjustment mechanism (“FAM”) included in the Consolidated Statements of Income includes the effect of prudently incurred fuel for generation and purchased power and certain fuel related costs (“Fuel Costs”) in both the current and preceding years, specifically, and as detailed in the table below:

- The difference between actual Fuel Costs and amounts recovered from customers in the current year. This amount is deferred to a FAM regulatory asset in “Regulatory assets” or a FAM regulatory liability in “Regulatory liabilities” on the Consolidated Balance Sheets; and
- The recovery from (rebate to) customers of under (over) recovered fuel costs from prior years.

The regulated fuel adjustment mechanism on the Consolidated Income Statement consisted of the following:

For the millions of Canadian dollars		Three months ended June 30			Six months ended June 30	
		2015	2014		**2015**	2014
Over (under) recovery of current year Fuel Costs	**$**	**7.9**	$ 10.0	**$**	**(15.7)**	$ (2.0)
Recovery from (rebate to) customers of prior years’ Fuel Costs		**12.9**	-		**31.1**	-
Regulated fuel adjustment mechanism	**$**	**20.8**	$ 10.0	**$**	**15.4**	$ (2.0)

The deferred FAM amounts are recognized as a “Regulatory asset” on the Balance Sheets. The FAM regulatory asset balance is disclosed in Note 16 and includes associated interest that is recorded as “Interest expense, net” on the Consolidated Statements of Income.

On November 25, 2014, the UARB approved a settlement agreement, estimated to result in approximately $56.0 million of the outstanding FAM balance being collected in 2015. In addition, the UARB directed NSPI to transfer $38.2 million of the liability balance of the 2013/2014 Rate Stabilization deferral account (see discussion below) to reduce the FAM balance of $86.1 million, resulting in a revised FAM balance of $47.9 million at December 31, 2014.

Through a related settlement agreement with stakeholders on December 2, 2014, NSPI will apply any non-fuel revenues above that required to achieve its approved range of return to reduce the FAM deferral account from 2015 until the next General Rate Application (“GRA”) approval or similar process where non-fuel rates are adjusted. The December 2, 2014, settlement agreement requires NSPI to contribute a minimum of $41.3 million to the FAM deferral account by the end of 2015. As at June 30, 2015, NSPI had met the minimum contribution commitment by contributing $38.2 million of this balance in 2014, consistent with the UARB directive noted above, and an additional $17.6 million year-to-date in 2015.

Regulated Fixed Cost Deferrals

NSPI has the following fixed cost deferral mechanisms which include a 2015 DSM deferral, a 2013/2014 Rate Stabilization fixed cost recovery deferral ("FCR") and a 2012 Large Industrial Customers FCR.

<u>2015 DSM Deferral</u>

On April 7, 2014, the Government of Nova Scotia announced new energy efficiency legislation to remove a previous charge for conservation and efficiency programs from power bills of Nova Scotia customers effective January 1, 2015. In addition, the legislation requires NSPI to purchase electricity efficiency and conservation activities ("Program Costs") from EfficiencyOne. The Program Costs are set for 2015 at $35.0 million. The UARB will provide regulatory oversight of the Program Costs thereafter. The Program costs for 2015 will be deferred as a regulatory asset and recoverable from customers over an eight-year period beginning in 2016. The UARB will determine how the Program costs will be recovered from customers for 2016 and beyond.

The Program Costs are recorded in "OM&G", with an offsetting credit in "Regulated fuel adjustment mechanism and fixed cost deferrals" on Emera's Consolidated Income Statements, with no effect on net earnings, with the exception of interest on the balance.

<u>2013/2014 Rate Stabilization Fixed Cost Recovery Deferral</u>

On December 21, 2012, the UARB approved a FCR for fiscal 2013 and 2014 as part of a rate stabilization plan. As directed by the UARB on November 25, 2014, as discussed above under the Regulated Fuel Adjustment Mechanism, the rate stabilization deferral liability balance of $38.2 million as at December 31, 2014, was applied against the FAM balance in 2014.

5. INVESTMENTS SUBJECT TO SIGNIFICANT INFLUENCE AND EQUITY INCOME

Investments subject to significant influence consisted of the following:

	Carrying Value		Equity Income for the three months ended June 30		Equity Income for the six months ended June 30		Percentage of Ownership
	June 30	as at December 31					
millions of Canadian dollars	**2015**	2014	**2015**	2014	**2015**	2014	**2015**
APUC (1) (2)	**$ 364.6**	$ 336.4	**$ 8.5**	$ 8.5	**$ 15.1**	$ 11.2	20.9
M&NP (3)	**176.7**	171.8	**4.8**	4.5	**10.7**	8.2	12.9
NSPML (4)	**166.5**	159.3	**3.7**	1.9	**7.3**	1.9	100.0
LIL (5)	**91.5**	80.1	**1.7**	1.5	**3.4**	3.1	37.5
Lucelec (3)	**34.9**	31.7	**0.8**	0.8	**1.4**	1.3	15.4
Cape Sharp Tidal Venture Ltd.	**5.1**	3.6	**-**	-	**-**	-	20.0
Chester Static Var Compensator	**4.8**	4.4	**-**	-	**-**	-	50.0
Maine Electric Power Company Inc.	**3.3**	2.9	**0.1**	0.4	**0.2**	0.4	21.7
Maine Yankee Atomic Power Company (3)	**0.4**	0.3	**-**	-	**-**	-	12.0
Bear Swamp (6)	**(20.7)**	(20.8)	**12.6**	9.3	**15.7**	11.4	50.0
NWP (7)	**-**	237.1	**-**	(8.8)	**4.3**	(15.2)	49.0
	$ 827.1	$ 1,006.8	**$ 32.2**	$ 18.1	**$ 58.1**	$ 22.3	

(1) As at June 30, 2015, the market price / share is $9.36 (December 31, 2014 – $9.64), which indicates a fair market value of this investment of $469.2 million (December 31, 2014 – $483.2 million). Emera holds 50.1 million shares as at June 30, 2015 at a book value of $7.27 per share. Carrying value reflects a cash cost of $260.7 million, plus non-cash gains recognized on conversion of subscriptions receipts into common shares, dilution gains or losses, and equity income or loss, less dividends received. As at June 30, 2015, Emera held 12.024 million outstanding subscription receipts at an average conversion price of $9.19.
(2) Emera's Strategic Investment Agreement with APUC and a ruling by the Maine Public Utilities Commission ("MPUC") limits Emera's equity ownership in APUC to 25 per cent of APUC's voting securities. The MPUC also stipulated Emera's dollar investment in APUC cannot exceed 5 per cent of Emera's total assets. As at June 30, 2015, Emera is in compliance with both of these requirements.
(3) Although Emera's ownership percentage of these entities is relatively low, it is considered to have significant influence over the operating and financial decisions of these companies through Board representation. Therefore, Emera records its investment in these entities, using the equity method. This is consistent with industry practice for similar investments with significant influence.
(4) Until Emera achieved certain critical milestones, including its financing and approvals to enable it to proceed to full construction, Emera recorded the Maritime Link Project development and engineering costs in “Property, plant and equipment” on its Consolidated Balance Sheets. In Q2 2014, when the critical milestones were achieved, and Nalcor Energy was deemed the beneficiary of the asset for financial reporting purposes, Emera began recording the Maritime Link Project as an equity investment, with equity earnings equal to the return on equity component of AFUDC. This will continue until the Maritime Link Project goes into service, which is expected in 2017. At that time, Emera will record equity earnings equal to 100 per cent of NSPML net earnings.
(5) Emera indirectly owns 100 per cent of the Class B units, which comprises 24.9 per cent of the total units issued. Emera's share of the total partnership capital is 36.9 per cent.
(6) The Bear Swamp investment has a negative balance as a result of Emera receiving dividends in excess of the investment cost.
(7) On January 29, 2015, Emera completed the sale of its 49 per cent interest in NWP for proceeds of $282.3 million ($223.3 million USD).

Equity investments include a $103.5 million difference between the cost and the underlying fair value of the investees' assets as at the date of acquisition. The excess is attributable to goodwill and intangible assets. Intangible assets with definite lives are subject to amortization based on the estimated remaining useful lives of the assets.

Emera equity accounts for its variable interest investment in NSPML (see Note 26). NSPML's consolidated summarized statement of income and balance sheet are illustrated as follows:

For the millions of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014*
Statement of Income				
Other income (expenses), net	**$ 3.7**	$ 1.9	**$ 7.3**	$ 1.9
Net income (loss)	**$ 3.7**	$ 1.9	**$ 7.3**	$ 1.9

*Emera began recording NSPML as an equity investment in Q2 2014

As at millions of Canadian dollars	**June 30 2015**	December 31 2014
Balance Sheet		
Current assets	**$ 408.4**	$ 388.4
Non-current assets	**1,243.2**	1,184.8
Total assets	**$ 1,651.6**	$ 1,573.2
Current liabilities	**$ 161.7**	$ 100.4
Non-current liabilities	**1,323.4**	1,313.5
Equity	**166.5**	159.3
Total liabilities and equity	**$ 1,651.6**	$ 1,573.2

6. OTHER INCOME (EXPENSES), NET

Other income (expenses), net consisted of the following:

For the millions of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Gain on sale of NWP investment	**$ -**	$ -	**$ 18.6**	$ -
Allowance for equity funds used during construction	**1.5**	2.4	**1.8**	5.5
Foreign exchange gains (losses)	**(0.4)**	(0.1)	**1.5**	1.6
Investment income	**0.3**	0.3	**0.6**	0.8
Earnings share mechanism in GBPC	**(0.1)**	(0.3)	**0.4**	0.3
Amortization of defeasance costs	**(1.7)**	(2.0)	**(3.4)**	(4.5)
Other	**1.1**	1.5	**3.1**	2.5
	$ 0.7	$ 1.8	**$ 22.6**	$ 6.2

7. INTEREST EXPENSE, NET

Interest expense, net consisted of the following:

For the millions of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Interest on debt	**$ 48.8**	$ 47.1	**$ 96.1**	$ 94.3
Allowance for borrowed funds used during construction	**(0.8)**	(1.1)	**(3.0)**	(1.9)
Interest revenue	**(1.8)**	(2.5)	**(3.9)**	(5.4)
Other	**1.8**	1.8	**3.2**	3.6
	$ 48.0	$ 45.3	**$ 92.4**	$ 90.6

8. INCOME TAXES

The income tax provision differs from that computed using the statutory rates for the following reasons:

For the millions of Canadian dollars						Three months ended June 30
		2015			2014	
Income before provision for income taxes	**$**	**21.0**		$	29.6	
Income taxes, at statutory rates		**6.5**	**31.0 %**		9.2	31.0 %
Deferred income taxes on regulated income recorded as regulatory assets and regulatory liabilities		**(2.4)**	**(11.4)%**		(7.6)	(25.7)%
Tax effect of equity earnings		**(2.7)**	**(12.9)%**		(2.1)	(7.1)%
Other		**(2.8)**	**(13.4)%**		(4.7)	(15.8)%
Income tax expense (recovery)	**$**	**(1.4)**	**(6.7)%**	$	(5.2)	(17.6)%

For the millions of Canadian dollars						Six months ended June 30
		2015			2014	
Income before provision for income taxes	**$**	**256.5**		$	309.8	
Income taxes, at statutory rates		**79.5**	**31.0 %**		96.0	31.0 %
Deferred income taxes on regulated income recorded as regulatory assets and regulatory liabilities		**(11.8)**	**(4.6)%**		(22.6)	(7.3)%
Tax effect of equity earnings		**(5.0)**	**(1.9)%**		(2.7)	(0.9)%
Other		**(2.7)**	**(1.1)%**		(9.1)	(2.9)%
Income tax expense (recovery)	**$**	**60.0**	**23.4 %**	$	61.6	19.9 %

For the millions of Canadian dollars				Three months ended June 30				Six months ended June 30
		2015		2014		**2015**		2014
Income tax expense (recovery) – current	**$**	**11.2**	$	6.4	**$**	**60.3**	$	35.5
Income tax expense (recovery) – deferred		**(12.6)**		(11.6)		**(0.3)**		26.1
Income tax expense (recovery)	**$**	**(1.4)**	$	(5.2)	**$**	**60.0**	$	61.6

NSPI and the Canada Revenue Agency (“CRA”) are currently in dispute with respect to the timing of certain tax deductions for its 2006 through 2010 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 $62.3 million, including taxes and interest. NSPI has prepaid $22.7 million of the amount in dispute, as required by CRA.

Should NSPI be successful in defending its position, all payments including applicable interest will be refunded with respect to NSPI’s deductions. 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 excess if any, owing to CRA. The related tax deductions will be available in subsequent years.

In Q2 2015, CRA commenced audit of NSPI’s 2011 through 2013 taxation years. Should NSPI receive notices of reassessment for those years, and should the 2014 taxation year be similarly reassessed, further payments will be required, however, the ultimate permissibility of the deductions is similarly not in dispute.

NSPI and its advisors believe that NSPI has reported its tax position appropriately and NSPI is disputing the reassessments through the CRA Appeal process. The outcome of this process is not determinable at this time.

9. EARNINGS PER SHARE

The following table reconciles the computation of basic and diluted earnings per share:

For the millions of Canadian dollars (except per share amounts)	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Numerator				
Net income attributable to common shareholders	**$ 10.0**	$ 24.5	**$ 170.1**	$ 227.3
Preferred stock dividends of subsidiary (1)	**-**	-	**3.8**	3.8
Diluted numerator	**10.0**	24.5	**173.9**	231.1
Denominator				
Weighted average shares of common stock outstanding	**144.5**	142.4	**144.3**	141.8
Weighted average deferred share units outstanding	**0.9**	0.8	**0.9**	0.8
Weighted average shares of common stock outstanding – basic	**145.4**	143.2	**145.2**	142.6
Effect of dilutive preferred stock of a subsidiary (1)	**-**	-	**3.5**	4.4
Stock-based compensation	**0.6**	0.3	**0.6**	0.3
Weighted average shares of common stock outstanding – diluted	**146.0**	143.5	**149.3**	147.3
Earnings per common share				
Basic	**$ 0.07**	$ 0.17	**$ 1.17**	$ 1.59
Diluted (1)	**$ 0.07**	$ 0.17	**$ 1.16**	$ 1.57

(1) The calculation of diluted earnings per share for the three months ended June 30, 2015 excluded the impact of $1.9 million (2014 – $1.9 million) in preferred stock dividends of a subsidiary and 3.5 million (2014 – 3.9 million) in potential common shares that had an anti-dilutive effect.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss), net of tax, are as follows:

millions of Canadian dollars	(Losses) gains on derivatives recognized as cash flow hedges	Net change in unrecognized pension and post-retirement benefit costs	Net change in available-for-sale investments	Unrealized (loss) gain on translation of self-sustaining foreign operations	Total AOCL
For the six months ended June 30, 2015					
Balance, January 1, 2015	$ (7.9)	$ (424.7)	$ 2.6	$ 82.4	$ (347.6)
Other comprehensive income (loss) before reclassifications	(13.7)	-	(0.4)	161.1	147.0
Amounts reclassified from accumulated other comprehensive income loss (gain)	0.9	35.7	-	-	36.6
Net current period other comprehensive income (loss)	(12.8)	35.7	(0.4)	161.1	183.6
Balance, June 30, 2015	$ (20.7)	$ (389.0)	$ 2.2	$ 243.5	$ (164.0)
For the six months ended June 30, 2014					
Balance, January 1, 2014	$ (4.2)	$ (353.4)	$ 2.4	$ (74.9)	$ (430.1)
Other comprehensive income (loss) before reclassifications	7.9	-	0.9	7.8	16.6
Amounts reclassified from accumulated other comprehensive income loss (gain)	(0.4)	18.9	-	-	18.5
Net current period other comprehensive income (loss)	7.5	18.9	0.9	7.8	35.1
Other	0.5	-	-	4.3	4.8
Balance, June 30, 2014	$ 3.8	$ (334.5)	$ 3.3	$ (62.8)	$ (390.2)

The reclassifications out of accumulated other comprehensive income (loss) are as follows:

For the millions of Canadian dollars	Affected line item in the Consolidated Statements of Income	Three months ended June 30 **2015**	 2014	Six months ended June 30 **2015**	 2014
		Amounts reclassified from AOCL			
Losses (gain) on derivatives recognized as cash flow hedges					
Power and gas swaps	Non-regulated fuel for generation and purchased power	**$ 0.6**	$ 1.5	**$ (5.0)**	$ (3.8)
Interest rate swaps	Income from equity investments	**0.1**	0.2	**0.3**	0.3
Foreign exchange forwards	Operating revenue – regulated	**1.6**	0.7	**3.7**	1.7
Total before tax		**2.3**	2.4	**(1.0)**	(1.8)
	Income tax expense (recovery)	**(0.3)**	(0.7)	**1.9**	1.4
Total net of tax		**$ 2.0**	$ 1.7	**$ 0.9**	$ (0.4)
Net change in unrecognized pension and post-retirement benefit costs					
Actuarial losses (gains)	Operating, maintenance and general ("OM&G")	**$ 12.2**	$ 8.9	**$ 24.1**	$ 20.7
Past service costs (gains)	OM&G	**(2.1)**	(0.6)	**(2.8)**	(1.2)
Amounts reclassified into obligations	Pension and post-retirement benefits	**23.5**	-	**23.5**	-
Total before tax		**33.6**	**8.3**	**44.8**	**19.5**
	Income tax expense (recovery)	**(8.4)**	(0.1)	**(9.1)**	(0.6)
Total net of tax		**$ 25.2**	$ 8.2	**$ 35.7**	$ 18.9
Total reclassifications out of AOCL, net of tax, for the period		**$ 27.2**	$ 9.9	**$ 36.6**	$ 18.5

11. RESTRICTED CASH

Restricted cash consisted of the following:

As at millions of Canadian dollars	**June 30 2015**	December 31 2014
Restricted cash – BLPC	**$ 13.5**	$ 14.9
Restricted cash – Brunswick Pipeline	**3.7**	-
Restricted cash – Other	**1.1**	1.0
	$ 18.3	$ 15.9

12. RECEIVABLES, NET

Receivables, net consisted of the following:

As at millions of Canadian dollars	**June 30 2015**	December 31 2014
Customer accounts receivable – billed	**$ 324.8**	$ 356.0
Customer accounts receivable – unbilled	**115.5**	141.1
Total customer accounts receivable	**440.3**	497.1
Allowance for doubtful accounts	**(13.4)**	(11.1)
Customer accounts receivable, net	**426.9**	486.0
Other	**28.5**	28.2
	$ 455.4	$ 514.2

13. INVENTORY

Inventory consisted of the following:

As at millions of Canadian dollars		**June 30 2015**		December 31 2014
Fuel	**$**	**175.6**	$	185.7
Materials		**91.7**		87.9
Emission credits (1)		**25.8**		20.9
	$	**293.1**	$	294.5

(1)The New England Gas Generating Facilities are subject to the Acid Rain Program for sulphur dioxide emissions and the Regional Greenhouse Gas Initiative ("RGGI") for carbon dioxide emissions. In addition, Bridgeport Energy is subject to the Clean Air Interstate Rule for ozone season nitrogen dioxide emission allowances. The emissions credits inventory balance represents the credits purchased to offset the liabilities (note 21) associated with these programs.

14. DERIVATIVE INSTRUMENTS

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

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

The Company also enters into physical contracts for energy commodities. Collectively, these contracts are considered “derivatives”. The Company accounts for derivatives under one of the following four approaches:

1. Physical contracts that meet the normal purchases normal sales (“NPNS”) exemption are not recognized on the balance sheet; they are recognized in income when they settle. A physical contract generally qualifies for the NPNS exemption 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 credit worthy. The Company continually assesses contracts designated under the NPNS exemption and will discontinue the treatment of these contracts under this exception if the criteria are no longer met.

2. Derivatives that qualify for hedge accounting are recorded at fair value on the balance sheet. Derivatives qualify for hedge accounting if they meet stringent documentation requirements and can be proven to effectively hedge the identified cash flow risk both at the inception and over the term of the derivative. Specifically for cash flow hedges, the effective portion of the change in the fair value of derivatives is deferred to AOCL and recognized in income in the same period the related hedged item is realized. Any ineffective portion of the change in fair value from cash flow hedges is recognized in net income in the reporting period.

   Where the documentation or effectiveness requirements are not met, the derivatives are recognized at fair value with any changes in fair value recognized in net income in the reporting period, unless deferred as a result of regulatory accounting.

3. Derivatives entered into by NSPI and GBPC that are documented as economic hedges, and for which the NPNS exception has not been taken, are subject to regulatory accounting treatment. 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. Management believes 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.

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

Derivative assets and liabilities relating to the foregoing categories consisted of the following:

	Derivative Assets		Derivative Liabilities	
As at millions of Canadian dollars	**June 30 2015**	December 31 2014	**June 30 2015**	December 31 2014
Current				
Cash flow hedges				
Power swaps	**$ 7.1**	$ 8.4	**$ 0.5**	$ 0.5
Foreign exchange forwards	**-**	0.1	**7.3**	4.5
	7.1	8.5	**7.8**	5.0
Regulatory deferral				
Commodity swaps and forwards				
Coal purchases	**-**	-	**6.0**	5.4
Natural gas purchases and sales	**-**	0.8	**0.2**	1.4
Heavy fuel oil purchases	**-**	-	**9.0**	12.6
Foreign exchange forwards	**61.6**	36.0	**1.8**	-
Physical natural gas purchases and sales	**4.0**	0.1	**-**	-
	65.6	36.9	**17.0**	19.4
HFT derivatives				
Power swaps and physical contracts	**90.3**	138.1	**70.0**	74.1
Foreign exchange options	**0.2**	-	**0.5**	-
Natural gas swaps, futures, forwards, physical contracts	**94.3**	86.4	**153.5**	162.3
	184.8	224.5	**224.0**	236.4
Total gross current derivatives	**257.5**	269.9	**248.8**	260.8
Impact of master netting agreements with intent to settle net or simultaneously	**(124.4)**	(133.4)	**(124.4)**	(133.4)
Total current derivatives	**133.1**	136.5	**124.4**	127.4
Long-term				
Cash flow hedges				
Power swaps	**10.5**	14.5	**3.9**	3.7
Foreign exchange forwards	**-**	-	**18.0**	10.5
	10.5	14.5	**21.9**	14.2
Regulatory deferral				
Commodity swaps and forwards				
Coal purchases	**-**	-	**3.1**	4.8
Heavy fuel oil purchases	**-**	-	**10.2**	12.9
Foreign exchange forwards	**82.9**	61.5	**4.2**	3.9
Physical natural gas purchases and sales	**0.2**	-	**-**	-
	83.1	61.5	**17.5**	21.6
HFT derivatives				
Power swaps and physical contracts	**16.9**	18.5	**25.9**	22.2
Natural gas swaps, futures, forwards and physical contracts	**24.4**	31.7	**53.9**	53.6
Foreign exchange options	**0.4**	-	**0.6**	-
	41.7	50.2	**80.4**	75.8
Other derivatives				
Interest rate swap	**-**	-	**1.9**	-
	-	-	**1.9**	-
Total gross long-term derivatives	**135.3**	126.2	**121.7**	111.6
Impact of master netting agreements with intent to settle net or simultaneously	**(24.7)**	(34.2)	**(24.7)**	(34.2)
Total long-term derivatives	**110.6**	92.0	**97.0**	77.4
Total derivatives	**$ 243.7**	$ 228.5	**$ 221.4**	$ 204.8

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

Details of master netting agreements, shown net on the Consolidated Balance Sheets, are summarized in the following table:

	Derivative Assets		Derivative Liabilities	
As at millions of Canadian dollars	**June 30 2015**	December 31 2014	**June 30 2015**	December 31 2014
Regulatory deferral	**$ -**	$ 0.7	**$ -**	$ 0.7
HFT derivatives	**149.1**	166.9	**149.1**	166.9
Total impact of master netting agreements with intent to settle net or simultaneously	**$ 149.1**	$ 167.6	**$ 149.1**	$ 167.6

Cash Flow Hedges

The Company enters into various derivatives designated as cash flow hedges. Emera enters into power swaps to limit Bear Swamp's exposure to purchased power prices. Emera also enters into interest rate swaps to fix Bear Swamp's cost of debt. The Company also enters into foreign exchange forwards to hedge the currency risk for revenue streams denominated in foreign currency for Brunswick Pipeline.

As previously noted, the effective portion of the change in fair value of these derivatives is included in AOCL, until the hedged transactions are recognized in income. The ineffective portion is recognized in income of the period. The amounts related to cash flow hedges recorded in income and AOCL consisted of the following:

For the millions of Canadian dollars			**2015**			Three months ended June 30 2014
	Power Swaps	**Interest Rate Swaps**	**Foreign Exchange Forwards**	Power Swaps	Interest Rate Swaps	Foreign Exchange Forwards
Unrealized gain (loss) in Non-regulated fuel for generation and purchased power – ineffective portion	**$ 0.3**	**$ -**	**$ -**	$ 2.2	$ -	$ -
Realized gain (loss) in Non-regulated fuel for generation and purchased power	**(0.6)**	**-**	**-**	(1.5)	-	-
Realized gain (loss) in Operating revenue – regulated	**-**	**-**	**(1.6)**	-	-	(0.7)
Realized gain (loss) in Income from equity investments	**-**	**(0.1)**	**-**	-	(0.2)	-
Total gains (losses) in Net income	**$ (0.3)**	**$ (0.1)**	**$ (1.6)**	$ 0.7	$ (0.2)	$ (0.7)

For the millions of Canadian dollars			**2015**			Six months ended June 30 2014
	Power Swaps	**Interest Rate Swaps**	**Foreign Exchange Forwards**	Power Swaps	Interest Rate Swaps	Foreign Exchange Forwards
Unrealized gain (loss) in Non-regulated fuel for generation and purchased power – ineffective portion	**$ (0.3)**	**$ -**	**$ -**	$ 0.3	$ -	$ -
Realized gain (loss) in Non-regulated fuel for generation and purchased power	**5.0**	**-**	**-**	3.8	-	-
Realized gain (loss) in Operating revenue – regulated	**-**	**-**	**(3.7)**	-	-	(1.7)
Realized gain (loss) in Income from equity investments	**-**	**(0.3)**	**-**	-	(0.3)	-
Total gains (losses) in Net income	**$ 4.7**	**$ (0.3)**	**$ (3.7)**	$ 4.1	$ (0.3)	$ (1.7)

As at millions of Canadian dollars			June 30 **2015**			December 31 2014
	Power Swaps	**Interest Rate Swaps**	**Foreign Exchange Forwards**	Power Swaps	Interest Rate Swaps	Foreign Exchange Forwards
Total unrealized gain (loss) in AOCL – effective portion, net of tax	**$ 2.6**	**$ (0.4)**	**$ (25.3)**	$ 5.2	$ (1.4)	$ (14.9)

The Company expects $8.8 million of unrealized losses currently in AOCL to be reclassified into net income within the next twelve months, as the underlying hedged transactions settle.

As at June 30, 2015, the Company had the following notional volumes of outstanding derivatives designated as cash flow hedges that are expected to settle as outlined below:

millions	**2015**	2016	2017	2018	2019
Power swaps (megawatt hours ("MWh")) purchases	**0.2**	0.3	0.3	0.3	0.3
Foreign exchange forwards (USD) sales	$ **23.5**	$ 42.5	$ 42.0	$ 24.0	$ 9.0
Foreign exchange forwards (EURO) purchases			2.6		

Regulatory Deferral

As previously noted, NSPI and GBPC defer gains and losses on certain derivatives documented as economic hedges, including certain physical contracts that do not qualify for the NPNS exemption.

The Company has recorded the following changes in realized and unrealized gains (losses) with respect to derivatives receiving regulatory deferral:

For the millions of Canadian dollars			**2015**			Three months ended June 30 2014
	Commodity swaps and forwards	**Physical natural gas purchases and sales**	**Foreign exchange forwards**	Commodity swaps and forwards	Physical natural gas purchases and sales	Foreign exchange forwards
Unrealized gain (loss) in Regulatory assets	**$ (6.5)**	**$ -**	**$ 0.3**	$ (1.1)	$ -	$ (5.8)
Unrealized gain (loss) in Regulatory liabilities	**-**	**1.8**	**(15.9)**	0.2	(0.3)	(23.3)
Realized (gain) loss in Regulatory assets	**(0.3)**	**-**	**-**	1.4	-	-
Realized (gain) loss in Inventory (1)	**1.7**	**-**	**(8.3)**	0.6	-	(2.4)
Realized (gain) loss in property, plant and equipment	**-**	**-**	**-**	-	-	(0.1)
Realized (gain) loss in Regulated fuel for generation and purchased power (2)	**1.2**	**(2.3)**	**(4.5)**	(1.2)	(1.1)	(1.0)
Total change in Derivative instruments	**$ (3.9)**	**$ (0.5)**	**$ (28.4)**	$ (0.1)	$ (1.4)	$ (32.6)

(1) Realized (gains) losses will be recognized in regulated 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.

For the millions of Canadian dollars				Six months ended June 30 2015			2014
		Commodity swaps and forwards	**Physical natural gas purchases and sales**	**Foreign exchange forwards**	Commodity swaps and forwards	Physical natural gas purchases and sales	Foreign exchange forwards
Unrealized gain (loss) in Regulatory assets	**$**	**(21.8)$**	**- $**	**(2.4)$**	(5.0)$	- $	(7.1)
Unrealized gain (loss) in Regulatory liabilities		**(0.1)**	**6.5**	**76.7**	8.4	2.3	4.6
Realized (gain) loss in Regulatory assets		**0.7**	**-**	**-**	2.1	-	-
Realized (gain) loss in Inventory (1)		**3.4**	**-**	**(19.7)**	1.7	-	(7.3)
Realized (gain) loss in property, plant and equipment		**-**	**-**	**(1.0)**	-	-	(0.1)
Realized (gain) loss in Regulated fuel for generation and purchased power (2)		**(2.5)**	**(2.4)**	**(8.6)**	(13.9)	(1.1)	(2.6)
Total change in Derivative instruments	**$**	**(20.3)$**	**4.1 $**	**45.0** $	(6.7)$	1.2 $	(12.5)

(1) Realized (gains) losses will be recognized in regulated 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.

Commodity Swaps and Forwards

As at June 30, 2015, the Company had the following notional volumes of commodity swaps and forward contracts designated for regulatory deferral that are expected to settle as outlined below:

	2015	2016	2017	2018
millions	**Purchases**	Purchases	Purchases	Purchases
Coal (metric tonnes)	**0.1**	0.1	-	-
Heavy fuel oil (bbls)	**0.2**	0.3	0.2	0.1

Foreign Exchange Swaps and Forwards

As at June 30, 2015, the Company had the following notional volumes of foreign exchange swaps and forward contracts related to commodity contracts that are expected to settle as outlined below:

		2015	2016	2017	2018	2019
Fuel purchases exposure (millions of US dollars)	$	95.6 $	199.0 $	222.0 $	143.0 $	96.5
Weighted average rate		1.0038	1.0235	1.0704	1.1053	1.1265
% of USD requirements		86%	80%	84%	56%	38%

Held-for-Trading Derivatives

In the ordinary course of its business, Emera enters into physical contracts for the purchase and sale of natural gas, as well as power and natural gas swaps, forwards and futures to economically hedge those physical contracts. These derivatives are all considered HFT.

The Company has recognized the following realized and unrealized gains (losses) with respect to HFT derivatives:

For the millions of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Power swaps and physical contracts in non-regulated operating revenues	**$ 2.5**	$ (0.5)	**$ 4.0**	$ 5.1
Natural gas swaps, forwards, futures, physical contracts in non-regulated operating revenues	**18.6**	(5.5)	**111.1**	183.2
Natural gas swaps, forwards, futures and physical contracts in non-regulated fuel for purchased power	**0.6**	1.6	**(1.2)**	(3.0)
Power swaps, forwards, futures and physical contracts in non-regulated fuel for generation and purchased power	**(4.7)**	-	**(2.7)**	-
Foreign exchange options in non-regulated operating revenue	**(0.6)**	-	**(0.6)**	-
	$ 16.4	$ (4.4)	**$ 110.6**	$ 185.3

As at June 30, 2015, the Company had the following notional volumes of outstanding HFT derivatives that are expected to settle as outlined below:

millions	**2015**	2016	2017	2018	2019
Natural gas purchases (Mmbtu)	**78.7**	103.9	55.7	43.8	43.8
Natural gas sales (Mmbtu)	**49.9**	53.6	29.7	5.2	5.2
Power purchases (MWh)	**0.2**	0.3	0.3	0.3	0.3
Power sales (MWh)	**1.5**	0.9	-	-	-
Foreign exchange options (USD)	$ **6.4**	$ 13.0	$ 5.0	$ -	$ -
Foreign exchange forwards (EURO) purchases	**0.4**	-	0.2	-	-
Foreign exchange forwards (EURO) sales	**0.2**	-	-	-	-

Other Derivatives

The Company has recognized the following realized and unrealized gains (losses) with respect to an interest rate swap:

For the millions of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Unrealized gain (loss) in Interest expense, net	**$ (1.9)**	$ -	**$ (1.9)**	$ -
Total gains (losses) in Net income	**$ (1.9)**	$ -	**$ (1.9)**	$ -

As at June 30, 2015, the Company had the following notional volumes of outstanding other derivatives that are expected to settle as outlined below:

millions	**2015**	2016	2017	2018	2019
Interest Rate Swap (CAD)	**$ -**	$ -	$ -	$ -	$ 250.0

Credit Risk

The Company is exposed to credit risk with respect to amounts receivable from customers, energy marketing collateral deposits 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.

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 price, foreign exchange and interest rate risk. 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 Company uses the cash as payment for the amount receivable or returns the deposit/collateral to the customer/counterparty where 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 ("ISDA"), North American Energy Standards Board agreements ("NAESB") and, or Edison Electric Institute agreements. The Company believes that entering into such agreements offers protection by creating contractual rights relating to creditworthiness, collateral, non-performance and default.

As at June 30, 2015, the Company had $112.1 million (December 31, 2014 - $79.9 million) in financial assets, considered to be past due, which have been outstanding for an average 76 days. The fair value of these financial assets is $101.0 million (December 31, 2014 - $70.3 million), the difference of which is included in the allowance for doubtful accounts. These assets primarily relate to accounts receivable from electric revenue.

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".

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

As at millions of Canadian dollars		**June 30** **2015**		December 31 2014
Cash collateral provided to others	**$**	**25.0**	$	45.8
Cash collateral received from others		**0.9**		2.9

Collateral is posted in the normal course of business based on the Company's creditworthiness, including its senior unsecured credit rating as determined by certain major credit rating agencies. Certain of the Company's derivatives contain financial assurance provisions that require collateral to be posted 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 June 30, 2015, the total fair value of these derivatives, in a liability position, was $221.4 million (December 31, 2014 – $204.8 million). If the credit ratings of the Company were reduced below investment grade the full value of the net liability position could be required to be posted as collateral for these derivatives.

15. FAIR VALUE MEASUREMENTS

The Company is required to determine the fair value of all derivatives except those which qualify for the NPNS exemption (see note 14), 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				June 30, 2015
millions of Canadian dollars	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash flow hedges				
Power swaps	**$ 17.6**	**$ -**	**$ -**	**$ 17.6**
Foreign exchange forwards	**-**	**-**	**-**	**-**
	17.6	**-**	**-**	**17.6**
Regulatory deferral				
Commodity swaps and forwards				
Foreign exchange forwards	**-**	**144.5**	**-**	**144.5**
Physical natural gas purchases and sales	**-**	**-**	**4.2**	**4.2**
	-	**144.5**	**4.2**	**148.7**
HFT derivatives				
Power swaps and physical contracts	**26.1**	**-**	**0.9**	**27.0**
Foreign exchange options	**-**	**0.5**	**-**	**0.5**
Natural gas swaps, futures, forwards, physical contracts and related transportation	**(2.9)**	**22.6**	**30.2**	**49.9**
	23.2	**23.1**	**31.1**	**77.4**
Total assets	**40.8**	**167.6**	**35.3**	**243.7**
Liabilities				
Cash flow hedges				
Power swaps	**4.4**	**-**	**-**	**4.4**
Foreign exchange forwards	**-**	**25.3**	**-**	**25.3**
	4.4	**25.3**	**-**	**29.7**
Regulatory deferral				
Commodity swaps and forwards				
Coal purchases	**-**	**9.1**	**-**	**9.1**
Heavy fuel oil purchases	**-**	**19.2**		**19.2**
Natural gas purchases and sales	**0.2**	**-**	**-**	**0.2**
Foreign exchange forwards		**5.9**	**-**	**5.9**
	0.2	**34.2**	**-**	**34.4**
HFT derivatives				
Power swaps and physical contracts	**15.5**	**-**	**0.4**	**15.9**
Foreign exchange options	**-**	**1.1**	**-**	**1.1**
Natural gas swaps, futures, forwards and physical contracts	**2.9**	**15.2**	**120.3**	**138.4**
	18.4	**16.3**	**120.7**	**155.4**
Other derivatives				
Interest rate swap	**-**	**1.9**	**-**	**1.9**
	-	**1.9**	**-**	**1.9**
Total liabilities	**23.0**	**77.7**	**120.7**	**221.4**
Net assets (liabilities)	**$ 17.8**	**$ 89.9**	**$ (85.4)**	**$ 22.3**

As at				December 31, 2014
millions of Canadian dollars	Level 1	Level 2	Level 3	Total
Assets				
Cash flow hedges				
Power, oil and gas swaps	$ 14.2	$ -	$ 8.7	$ 22.9
Foreign exchange forwards	-	0.1	-	0.1
	14.2	0.1	8.7	23.0
Regulatory deferral				
Commodity swaps and forwards				
Natural gas purchases and sales	0.1	-	-	0.1
Foreign exchange forwards	-	97.5	-	97.5
Physical natural gas purchases and sales	-	-	0.1	0.1
	0.1	97.5	0.1	97.7
HFT derivatives				
Power swaps and physical contracts	66.3	-	(3.4)	62.9
Natural gas swaps, futures, forwards and physical contracts	(1.8)	22.3	24.4	44.9
	64.5	22.3	21.0	107.8
Total assets	78.8	119.9	29.8	228.5
Liabilities				
Cash flow hedges				
Power, oil and gas swaps	$ 1.0	$ -	$ 3.2	$ 4.2
Foreign exchange forwards	-	15.0	-	15.0
	1.0	15.0	3.2	19.2
Regulatory deferral				
Commodity swaps and forwards				
Coal purchases	-	10.2	-	10.2
Natural gas purchases and sales	0.7	-	-	0.7
Heavy fuel oil purchases	-	25.5	-	25.5
Foreign exchange forwards	-	3.9	-	3.9
	0.7	39.6	-	40.3
HFT derivatives				
Power swaps and physical contracts	1.3	-	1.5	2.8
Natural gas swaps, futures, forwards and physical contracts	13.5	12.0	117.0	142.5
	14.8	12.0	118.5	145.3
Total liabilities	16.5	66.6	121.7	204.8
Net assets (liabilities)	$ 62.3	$ 53.3	$ (91.9)	$ 23.7

The Company evaluates the observable inputs of market data on a quarterly basis in order to determine if transfers between levels is appropriate. For the six month ended June 30, 2015, transfers from Level 3 to Level 1 were a result of an increase in observable inputs.

The change in the fair value of the Level 3 financial assets for the three months ended June 30, 2015 was as follows:

	Regulatory Deferral	*Cash Flow Hedges and HFT Derivatives*		
millions of Canadian dollars	Physical natural gas purchases and sales	Power	Natural gas	Total
Balance, beginning of period	**$ 4.7**	**$ 1.1**	**$ 26.2**	**$ 32.0**
Increase (reduction) in benefit included in regulated fuel for generation and purchased power	**(2.3)**	**-**	**-**	**(2.3)**
Unrealized gains (losses) included in regulatory assets or liabilities	**1.8**	**-**	**-**	**1.8**
Total realized and unrealized gains (losses) included in non-regulated operating revenues	**-**	**(0.2)**	**4.0**	**3.8**
Balance, June 30, 2015	**$ 4.2**	**$ 0.9**	**$ 30.2**	**$ 35.3**

The change in the fair value of the Level 3 financial liabilities for the three months ended June 30, 2015 was as follows:

	Regulatory Deferral	*Cash Flow Hedges and HFT Derivatives*		
millions of Canadian dollars	Physical natural gas purchases and sales	Power	Natural gas	Total
Balance, beginning of period	$ -	$ 0.4	$ 79.1	$ 79.5
Total realized and unrealized gains (losses) included in non-regulated operating revenues	-	-	41.2	41.2
Balance, June 30, 2015	$ -	$ 0.4	$ 120.3	$ 120.7

The change in the fair value of the Level 3 financial assets for the six months ended June 30, 2015 was as follows:

	Regulatory Deferral	*Trading Derivatives*		
millions of Canadian dollars	Physical natural gas purchases and sales	Power	Natural gas	Total
Balance, beginning of period	**$ 0.1**	**$ 5.3**	**$ 24.4**	**$ 29.8**
Increase (reduction) in benefit included in regulated fuel for generation and purchased power	**(2.4)**	**-**	**-**	**(2.4)**
Increase (reduction) in benefit included in non-regulated fuel for generation and purchased power	**-**	**(1.1)**	**-**	**(1.1)**
Unrealized gains (losses) included in regulatory assets or liabilities	**6.5**	**-**	**-**	**6.5**
Total realized and unrealized gains (losses) included in non-regulated operating revenues	**-**	**(0.1)**	**5.8**	**5.7**
Net transfers out of Level 3	**-**	**(3.2)**	**-**	**(3.2)**
Balance, June 30, 2015	**$ 4.2**	**$ 0.9**	**$ 30.2**	**$ 35.3**

The change in the fair value of the Level 3 financial liabilities for the six months ended June 30, 2015 was as follows:

	Regulatory Deferral	Trading Derivatives		
millions of Canadian dollars	Physical natural gas purchases and sales	Power	Natural gas	Total
Balance, beginning of period	**$ -**	**$ 4.7**	**$ 117.0**	**$ 121.7**
Increase (reduction) in benefit included in non-regulated fuel for generation and purchased power	**-**	**4.4**	**-**	**4.4**
Total realized and unrealized gains (losses) included in non-regulated operating revenues	**-**	**-**	**3.3**	**3.3**
Net transfers out of Level 3	**-**	**(8.7)**	**-**	**(8.7)**
Balance, June 30, 2015	**$ -**	**$ 0.4**	**$ 120.3**	**$ 120.7**

Emera's Enterprise Risk Management group is responsible for valuation policies, processes and the measurement of fair value. Fair value accounting rules provide a three level hierarchy that prioritizes the inputs used to measure fair value. When possible, determining fair value is based primarily on observable market inputs in active markets.

Contracts with quoted prices available in active markets and exchanges for identical assets or liabilities are classified as level 1 in the hierarchy. For those contracts whereby pricing inputs are either directly or indirectly observable through markets, exchanges or third party sources, but do not qualify as level 1, are classified as level 2 in the hierarchy. For a level 3 classification, the processes and methods of measurement for third-party pricing information and illiquid markets are developed with input and using the market knowledge of the trading operations within Emera and its affiliates.

Significant unobservable inputs used in the fair value measurement of Emera's natural gas and power derivatives includes third-party-sourced pricing for instruments based on illiquid markets; 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. Where possible, Emera also sources multiple broker prices in an effort to evaluate and substantiate these unobservable inputs. 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. Significant increases (decreases) in any of these inputs in isolation would result in a significantly lower (higher) fair value measurement.

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:

As at						June 30, 2015
millions of Canadian dollars		**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range**	**Weighted average**
Assets						
Regulatory deferral – Physical natural gas purchases and sales		**4.2**	Modelled pricing	Third-party pricing	\$3.07 - \$5.16	\$3.67
				Probability of default	0.03%	0.03%
HFT derivatives – Power swaps and physical contracts		**0.9**	Modelled pricing	Third-party pricing	\$19.43 - \$117.76	\$53.48
				Correlation factor	0.99% - 1.00%	0.99%
				Probability of default	0.01% - 5.98%	0.57%
				Discount rate	0.00% - 17.15%	6.09%
HFT derivatives – Natural gas swaps, futures, forwards,		**30.2**	Modelled pricing	Third-party pricing	\$1.17 - \$13.16	\$6.76
				Probability of default	0.01% - 5.79%	0.89%
				Discount rate	0.00% - 67.62%	3.67%
Total assets		**35.3**				
Liabilities						
HFT derivatives – Power swaps and physical contracts		**0.4**	Modelled pricing	Third-party pricing	\$19.43 - \$117.76	\$60.27
				Correlation factor	0.99% - 1.0%	0.99%
				Own credit risk	0.01% - 0.01%	0.01
				Discount rate	0.00% - 17.15%	7.07%
HFT derivatives – Natural gas swaps, futures, forwards and		**120.3**	Modelled pricing	Third-party pricing	\$1.14 - \$13.13	\$3.93
				Probability of default	0.01% - 0.01%	0.01%
				Discount rate	0.00% - 40.57%	4.02%
Total liabilities		**120.7**				
Net assets (liabilities)	**\$**	**(85.4)**				

The financial assets and liabilities included on the Consolidated Balance Sheets that are not measured at fair value consisted of the following:

As at		**June 30, 2015**				December 31, 2014		
millions of Canadian dollars		**Carrying Amount**		**Fair Value**		Carrying Amount		Fair Value
Long-term debt (including current portion)	**\$**	**3,705.5**	**\$**	**4,246.1**	\$	3,754.8	\$	4,382.9

The fair values of long-term debt instruments, classified as level 3 in the fair value hierarchy, are estimated based on the quoted market price for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturity, without considering the effect of third party credit enhancements.

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

16. REGULATORY ASSETS AND LIABILITIES

A summary of the Company's regulatory assets and liabilities is provided below. For a detailed description of the nature of the Company's regulatory assets and liabilities, refer to Note 17 in Emera's 2014 annual audited consolidated financial statements.

As at millions of Canadian dollars		**June 30 2015**		December 31 2014
Regulatory assets				
Deferred income tax regulatory asset	**$**	**377.3**	$	348.1
Unamortized defeasance costs		**49.1**		52.5
Deferrals related to derivative instruments		**41.5**		45.6
Stranded cost recovery		**26.2**		24.9
Demand side management deferral (note 4)		**17.9**		-
Regulated fuel adjustment mechanism (note 4)		**16.2**		47.9
Pension and post-retirement medical plan		**12.5**		10.4
Large industrial customers fixed cost deferral		**8.0**		15.8
Hydro-Quebec Obligation		**7.2**		6.8
Purchase power contracts		**6.4**		7.0
2014 Maine storms		**5.4**		5.3
Asset impairment recovery		**5.1**		4.8
Stranded cost revenue & purchase power reconciliation deferrals		**4.8**		8.0
Earnings Share Mechanism		**4.7**		4.9
2013 Maine ice storm		**4.6**		5.0
Other		**24.1**		23.7
	$	**611.0**	$	610.7
Current	**$**	**79.0**	$	115.0
Long-term		**532.0**		495.7
Total regulatory assets	**$**	**611.0**	$	610.7
Regulatory liabilities				
Deferrals related to derivative instruments	**$**	**148.8**	$	97.7
Self-Insurance Fund		**78.3**		72.8
Deferred income tax regulatory liabilities		**28.1**		25.7
Maine Federal Energy Regulatory Commission return on equity		**8.4**		8.5
Other		**4.5**		5.2
	$	**268.1**	$	209.9
Current	**$**	**81.1**	$	51.0
Long-term		**187.0**		158.9
Total regulatory liabilities	**$**	**268.1**	$	**209.9**

17. RELATED PARTY TRANSACTIONS

In the ordinary course of business, Emera provides energy, construction and other services and enters into transactions with its associated and other related companies on terms similar to those offered to non-related parties.

If these transactions are eliminated on consolidation, they are not disclosed as related party transactions. Below are transactions between Emera and its associated companies that are not eliminated on consolidation:

For the millions of Canadian dollars			Three months ended June 30		Six months ended June 30	
			2015	2014	**2015**	2014
	Nature of Service	**Presentation**				
Sales:						
Emera Utility Services	Maintenance and construction services	Operating revenue – non-regulated	**4.8**	3.4	**9.0**	5.7
Emera Energy	Net sale of natural gas and sale of power	Operating revenue – non-regulated	**3.9**	1.6	**7.6**	9.1
Emera Energy	Hedging services	Operating revenue – non-regulated and interest, net	**2.9**	-	**6.7**	-
EUS Bahamas	Construction, operations management and engineering services	Operating revenue – non-regulated	**2.4**	1.9	**4.8**	4.1
Emera Energy	Energy management services (1)	Operating revenue – non-regulated	**-**	0.1	**-**	0.2
Emera Maine	Transmission capacity (1)	Operating revenue - regulated	**-**	0.3	**0.3**	0.6
Purchases:						
NSPI	Construction services	Property, plant and equipment	**4.5**	3.0	**7.3**	4.8
NSPI	Net purchase of natural gas and purchase of power	Regulated fuel for generation and purchased power	**3.9**	1.6	**7.6**	9.1
GBPC	Hedging services	Regulated fuel for generation and purchased power and OM&G	**2.9**	-	**6.7**	-
GBPC	Maintenance services	OM&G	**2.2**	1.4	**4.5**	3.5
NSPI	Natural gas transportation capacity (2)	Regulated fuel for generation and purchased power	**1.8**	0.9	**2.0**	2.2
NSPI	Maintenance services	OM&G	**0.3**	0.4	**1.7**	0.9
GBPC	Construction services	Property, plant and equipment	**0.2**	0.5	**0.3**	0.6
Emera Maine	Purchase of power (1)	Regulated fuel for generation and purchased power	**-**	0.3	**0.3**	1.0
Emera Energy	Natural gas transportation capacity (2)	Operating revenue – non-regulated	**(5.0)**	(5.1)	**(11.3)**	(12.2)

(1) Transactions with NWP which was a related party accounted for on the equity basis until its sale on January 29, 2015.
(2) Transactions with M&NP, a related party accounted for on the equity basis.

Amounts due (to) from Emera and its equity investments are summarized in the following table:

As at millions of Canadian dollars	June 30 2015	December 31 2014
Due from related parties:		
NSPML	**$ 1.4**	$ 3.5
M&NP – loan receivable	**2.5**	2.5
Due to related parties:		
M&NP	**$ 1.6**	$ 1.6
Net due from (to) related parties	**$ 2.3**	$ 4.4

All amounts are under normal interest and credit terms, except for a loan receivable from M&NP bearing interest at 1 per cent per annum maturing on November 30, 2019.

18. OTHER CURRENT ASSETS

Other current assets consisted of the following:

As at millions of Canadian dollars		June 30 2015		December 31 2014
Net investment in direct financing lease	**$**	**5.3**	$	5.1
Dividend receivable		**6.0**		5.0
Capitalized transportation capacity		**39.3**		70.5
	$	**50.6**	$	80.6

19. EMPLOYEE BENEFIT PLANS

Emera maintains a number of contributory defined-benefit and defined-contribution pension plans, which cover substantially all of its employees; and plans providing non-pension benefits for its retirees in Nova Scotia, New Brunswick, Newfoundland and Labrador, Maine, Connecticut, Rhode Island, Barbados, Dominica and Grand Bahama Island.

Effective April 1, 2015, Emera Maine amended certain post-retirement medical benefits which resulted in a reduction in the pension and post-retirement benefits liability.

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

For the millions of Canadian dollars		Three months ended June 30				Six months ended June 30		
		2015		2014		**2015**		2014
Defined benefit pension plans								
Service cost	**$**	**5.5**	$	4.3	**$**	**11.0**	$	8.6
Interest cost		**14.6**		15.4		**29.2**		30.8
Expected return on plan assets		**(16.1)**		(15.7)		**(32.1)**		(31.5)
Current year amortization of:								
Actuarial losses (gains)		**11.8**		8.9		**23.6**		17.9
Past service costs (gains)		**(0.2)**		(0.2)		**(0.4)**		(0.4)
Special termination benefits		**-**		-		**-**		0.1
Total defined benefit pension plans		**15.6**		12.7		**31.3**		25.5
Non-pension benefits plan								
Service cost		**0.7**		0.7		**1.5**		1.4
Interest cost		**0.8**		1.0		**1.8**		2.1
Expected return on plan assets		**(0.1)**		(0.1)		**(0.1)**		(0.2)
Current year amortization of:								
Actuarial losses (gains)		**0.4**		-		**0.7**		-
Past service costs (gains)		**(1.9)**		(0.4)		**(2.4)**		(0.8)
Total non-pension benefits plans		**(0.1)**		1.2		**1.5**		2.5
Total defined benefit plans	**$**	**15.5**	$	13.9	**$**	**32.8**	$	28.0

20. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments consist primarily of debt and equity investments held in trust on behalf of BLPC's Self Insurance Fund ("SIF") for the purpose of building an insurance fund to cover risk against damage and consequential loss to certain of BLPC's generating, transmission and distribution systems. Any withdrawal of SIF Fund assets by the Company would be subject to existing regulations.

In addition, there are debt and equity investments related to Emera Reinsurance Limited, for captive insurance purposes.

Emera has classified these investments as available-for-sale and recorded all such investments at their fair market value as at June 30, 2015.

Available-for-sale financial assets measured at fair value include the following:

As at millions of Canadian dollars		**Level 1**	**Level 2**	**Level 3**	**June 30 2015**
Common shares	**$**	**14.3 $**	**- $**	**- $**	**14.3**
Mutual funds		**-**	**49.6**	**-**	**49.6**
Corporate bonds, debentures, short and medium term notes		**-**	**38.4**	**-**	**38.4**
Government bonds		**-**	**3.0**	**-**	**3.0**
	$	**14.3 $**	**91.0 $**	**- $**	**105.3**

As at millions of Canadian dollars		Level 1	Level 2	Level 3	December 31 2014
Common shares	$	13.8 $	- $	- $	13.8
Mutual funds		-	31.7	-	31.7
Corporate bonds, debentures, short and medium term notes		-	36.1	-	36.1
Government bonds		-	2.8	-	2.8
	$	13.8 $	70.6 $	- $	84.4

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date for level 1 available for sale investments. The quoted market price used for financial assets is the current bid price at the balance sheet date. Fair values within the level 2 category are determined through the use of quoted prices in active markets for similar assets, which in some cases, are adjusted for factors specific to the asset.

The change in available-for-sale assets is as follows:

As at millions of Canadian dollars		**June 30 2015**	December 31 2014
Balance, beginning of the year	**$**	**84.4** $	74.2
Additions		**15.5**	30.3
Disposals		**(0.4)**	(27.1)
	$	**99.5** $	77.4
Change in fair value			
Realized (loss) gain recognized in income		**-**	(0.8)
Gain (loss) recognized in other comprehensive income during the period		**5.8**	7.8
	$	**5.8** $	7.0
Balance, end of the period	**$**	**105.3** $	84.4

There were no impairment provisions for available-for-sale investments for the six months ended June 30, 2015 (2014 - nil).

The maturity profile of debt securities included in the available-for-sale assets is as follows:

As at millions of Canadian dollars		**June 30 2015**	December 31 2014
Maturity within 1 year	**$**	**16.7** $	12.8
Maturity in 1-5 years		**24.7**	26.1
	$	**41.4** $	38.9

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities. None of these financial instruments are either past due or impaired.

21. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

As at millions of Canadian dollars		**June 30 2015**		December 31 2014
Accrued charges	**$**	**99.7**	$	114.1
Accrued interest on long-term debt		**46.4**		42.4
Emission credits obligations (1)		**2.5**		20.6
Sales taxes payable		**7.6**		5.6
Dividends payable		**2.4**		2.0
Other		**5.6**		2.1
	$	**164.2**	$	186.8

(1) Throughout the three-year compliance period associated with the Regional Greenhouse Gas Initiative for carbon dioxide emissions, an obligation is recognized as electricity is generated, measured at the cost to acquire credits for the related emissions. Emission credits are capitalized to inventory when purchased and subsequently applied against the emission liabilities (note 21) at the end of each compliance period.

22. LONG-TERM DEBT

NSPI

On April 30, 2015, NSPI completed the issuance of $175 million Series AA Medium-Term Notes ("MTN"). The Series AA notes bear interest at a rate of 3.612 per cent per annum until May 1, 2045. The proceeds of the note offering were used for general corporate purposes, including the repayment of maturing corporate term debt.

Brunswick Pipeline

On February 18, 2015, Brunswick Pipeline completed a senior secured financing consisting of a $250 million non-revolving term credit facility bearing interest at bankers' acceptances rates plus 1.75 per cent and expiring on February 18, 2019. The proceeds were used to reduce borrowings under Emera's revolver, which was previously used to finance the maturity and repayment of a MTN note in October 2014.

23. COMMITMENTS AND CONTINGENCIES

A. Commitments

As at June 30, 2015, contractual commitments (excluding pensions and other post-retirement obligations, long-term debt and AROs) for each of the next five years and in aggregate thereafter consisted of the following:

millions of Canadian dollars	2015	2016	2017	2018	2019	Thereafter	Total
Purchased power (1)	$ 94.1	$ 208.8	$ 219.3	$ 193.1	188.5	$ 2,479.7	$ 3,383.5
Coal, biomass, oil and natural gas supply	80.6	148.9	76.2	0.5	-	-	306.2
Transportation (2)	70.1	91.1	63.4	49.2	22.7	103.3	399.8
Long-term service agreements (3)	33.1	49.0	39.8	29.3	49.5	201.7	402.4
Capital projects	37.7	5.6	4.0	-	-	-	47.3
Equity investment commitments (4)	169.2	317.0	167.2	-	-	-	653.4
Leases and other (5)	8.2	11.6	10.9	9.0	8.5	33.3	81.5
	$ 493.0	$ 832.0	$ 580.8	$ 281.1	$ 269.2	$ 2,818.0	$ 5,274.1

(1) Purchased power: annual requirement to purchase 20 - 100 per cent of electricity production from independent power producers over varying contract lengths up to 25 years.

(2) Transportation: purchasing commitments for transportation of solid fuel and transportation capacity on various pipelines.

(3) Long-term service agreements: maintenance of certain generating equipment, services related to a generation facility and wind operating agreements, outsourced management of computer and communication infrastructure and vegetation management.

(4) Emera has a commitment in connection with the Federal Loan Guarantee ("FLG") to complete construction of the Maritime Link. Thirty per cent of the financing of this project will come from Emera as equity. Emera also has a commitment to make equity contributions to the Labrador Island Link Limited Partnership upon draw requests from the general partner. The amounts forecasted are a combination of equity investments for both projects and are subject to change in both timing and amount as the projects advance through construction.

(5) Leases: operating lease agreements for office space, land, plant fixtures and equipment, telecommunications services, rail cars and vehicles.

B. Legal Proceedings

Emera and its subsidiaries 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.

Emera Maine

On September 30, 2011, a group including the Attorney General of Massachusetts, New England utilities commissions, state public advocates and end users filed a complaint with the Federal Energy Regulatory Commission (“FERC”) alleging that the 11.14 per cent base return on equity (“ROE”) under the ISO-New England Open Access Transmission Tariff (“OATT”) was unjust and unreasonable. On June 19, 2014, the FERC issued an order in connection with this complaint, changing the methodology used to set the ROE for transmission assets.

This change would lower the base transmission ROE to 10.57 per cent for the period of October 1, 2011 to December 31, 2012, subject to a further proceeding to finalize the determination of appropriate rates to be used in such calculation. The FERC decision would also lower the cap on the total ROE (inclusive of incentive adders) for transmission assets to 11.74 per cent. In an order issued on October 16, 2014, the FERC confirmed that the ROE set in its earlier order was appropriate. On March 3, 2015, in response to requests for rehearing from several parties, FERC affirmed its initial Order, setting of the base ROE of 10.57 per cent and capping the total ROE, including the effect of incentive adders, at 11.74 per cent. Notices of Appeal to the U.S. Court of Appeals for the DC Circuit were filed by New England Transmission Owners and the Complainants in the case on April 30, 2015. In Q2 2015, Emera Maine began processing the refunds to customers, based on a 10.57 per cent ROE.

On December 27, 2012, a second group of consumer advocates, including Environment Northeast, filed a complaint with the FERC on similar grounds, arguing that the 11.14 per cent base ROE under the OATT was unjust and unreasonable (“the ENE Case”). On June 19, 2014, the FERC issued an order in this second ROE case, finding in favour of the complainants and allowing the complaint to proceed. As a result, a new ROE will be calculated and set by the FERC. This complaint created a new 15-month refund period beginning January 1, 2013 through March 31, 2014.

On July 31, 2014, a group of state commissions, state public advocates and end users filed a third complaint with the FERC alleging the ROE earned on transmission investments is unjust and unreasonable and does not reflect current economic conditions (“the MA AG II Case”). Any potential refund arising from this third complaint will relate to the period from July 31, 2014 to September 30, 2015, and the outcome will set the ROE going forward from the date of decision.

On November 24, 2014, the FERC consolidated the ENE Case and MA AG II Case. A subsequent order by the FERC established a schedule for various procedural matters that would see the case being turned over to an Administrative Law Judge in September 2015. Once that judge's recommended decision is rendered, parties may file exceptions, and then the case is set for decision by the FERC. A decision is therefore not expected until Q1 2016 at the earliest.

Emera Maine has recorded a reserve of $8.4 million pre-tax ($6.8 million USD) for the two outstanding base transmission ROE rate refund complaints for the period of October 1, 2011 to June 30, 2015, which are pending final determination by the FERC. In Q2 2015, Emera Maine began processing the refunds to customers, based on a 10.57 per cent ROE.

C. Environment

Emera's activities are subject to a broad range of federal, provincial, state, regional and local laws and environmental regulations, designed to protect, restore and enhance the quality of the environment including air, water and solid waste. Emera estimates its environmental capital expenditures, excluding AFUDC, based upon present environmental laws and regulations will be approximately $48.1 million during fiscal 2015 and are estimated to be $32.9 million from 2016 through 2019. Amounts that have been committed to are included in "Capital projects" in the commitments table in note 23A. 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.

NSPI

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

Conformance with legislative and NSPI internal requirements is verified through a comprehensive environmental audit program. There were no significant environmental or regulatory compliance issues identified during the audits completed to June 30, 2015.

Emera Energy Emissions

The New England Gas Generating Facilities are subject to the Regional Greenhouse Gas Initiative ("RGGI") for carbon dioxide emissions and the Acid Rain Program for sulphur dioxide emissions. The New England Gas Generating Facilities emit approximately two million tons of carbon dioxide per year. The amount of sulphur dioxide emitted is not considered significant. Changes to these emissions programs could adversely impact financial and operational performance.

Poly Chlorinated Bi-Phenol Transformers

In response to the Canadian Environmental Protection Act 1999, 2008 Poly Chlorinated Bi-Phenol ("PCB") Regulations to phase out electrical equipment and liquids containing PCBs, NSPI has implemented a program to eliminate transformers and other oil-filled electrical equipment on its system that do not meet the 2008 PCB Regulations Standard by the end of 2025. This also includes PCB contaminated pole mounted transformers. The combined total cost of these projects is estimated to be $29.9 million and, as at June 30, 2015, approximately $16.1 million (December 31, 2014 – $14.8 million) has been spent to date. NSPI has recognized an ARO of $11.6 million as at June 30, 2015 (December 31, 2014 – $11.8 million) associated with the PCB phase-out program.

D. Principal Risks and Uncertainties

In this section, Emera describes some of the principal risks management believes could materially affect Emera's business, revenues, operating income, net income, net asset or liquidity or capital resources. The nature of risk is such that no list can be comprehensive, and other risks may arise, or risks not currently considered material may become material in the future.

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

Regulatory and Political Risk

The Company's rate-regulated subsidiaries and certain investments subject to significant influence are subject to risk of the recovery of costs and investments in a timely manner. As cost-of-service utilities with an obligation to serve, NSPI, Emera Maine, BLPC, GBPC and Domlec must obtain regulatory approval to change electricity rates and/or riders from their respective regulators. Costs and investments can be recovered upon the respective regulator's approval of the recovery in adjustments to rates and/or riders, which normally requires a public hearing process or may be mandated by other governmental bodies. In addition, the commercial and regulatory frameworks under which Emera and its subsidiaries operate can be impacted by significant shifts in government policy and changes in governments. Emera has certain investments subject to significant influence that are subject to regulatory risk and include: APUC, M&NP, NSPML, LIL and Lucelec.

During public hearing processes, consultants and customer representatives scrutinize the costs, actions and plans of these subsidiaries and their respective regulators determine whether to allow recovery and to adjust rates based upon the subsidiaries' evidence and any contrary evidence from other parties. In some circumstances, other government bodies may influence the setting of rates. The subsidiaries manage this regulatory risk through transparent regulatory disclosure, ongoing stakeholder and government consultation and multi-party engagement on aspects such as utility operations, fuel-related audits, rate filings and capital plans. The subsidiaries employ a collaborative regulatory approach through technical conferences and, where appropriate, negotiated settlements.

Brunswick Pipeline entered into a 25-year firm service agreement with Repsol Energy Canada, which was filed with the NEB. The firm service agreement provides for predetermined toll increases after the fifth and fifteenth year of the contract. As a regulated Group II pipeline, the tolls of Brunswick Pipeline are regulated by the NEB on a complaint basis. Brunswick Pipeline is required to make copies of tariffs and supporting financial information readily available to interested persons. Persons who cannot resolve traffic, toll and tariff issues with Brunswick Pipeline may file a complaint with the NEB. In the absence of a complaint, the NEB does not normally undertake a detailed examination of Brunswick Pipeline's tolls.

Changes in Environmental Legislation

Emera is subject to regulation by federal, provincial, state, regional and local authorities with regard to environmental matters; primarily related to its utility operations. This includes laws setting greenhouse gas emissions standards and air emissions standards. Emera is also subject to laws regarding the generation, storage, transportation, use and disposal of hazardous substances and materials.

In addition to imposing continuing compliance obligations, there are permit requirements, laws and regulations 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, and may be, material to Emera. Failure to comply with environmental requirements or to recover environmental costs in a timely manner through rates could have a material adverse effect on Emera.

New emission reductions requirements for the utilities sector are being established by governments in Canada and the United States. Changes to greenhouse gas emissions standards and air emissions standards could adversely affect Emera's operations and financial performance. Stricter environmental laws and enforcement of such laws in the future could increase Emera's exposure to additional liabilities and costs. These changes could also affect earnings and strategy by changing the nature and timing of capital investments.

Emera manages its environmental risk by operating in a manner that is respectful and protective of the environment and with the objective of achieving full compliance with applicable laws, legislation and company policies and standards. Emera has implemented this policy through the development and application of environmental management systems in its operating subsidiaries. Comprehensive audit programs are also in place to regularly test compliance with such laws, policies and standards.

Commercial Relationships

The Company is exposed to commercial relationship risk in respect of its reliance on certain key partners, supplies and customers. The company manages its commercial relationship risk by monitoring credit risk, and monitoring of significant customers.

ENL

Emera and Nalcor Energy executed agreements pertaining to the development and transmission of hydroelectric power from Muskrat Falls in Labrador to the island of Newfoundland, the Province of Nova Scotia and through to New England. In exchange for the Company's investment in the Maritime Link Project, estimated to be approximately $1.56 billion, Nalcor has agreed to provide 20 per cent of the output of the Muskrat Falls generating station.

Labour Risk

Certain Emera employees are subject to collective labour agreements; 51 per cent of the full-time and term employees within the Emera group of companies are represented by local unions.

Approximately 8 per cent of Emera's work force is included in collective labour agreements which will expire within the next 12 months.

Interest Rate Risk

The Company utilizes a combination of fixed and floating rate debt financing for operations and capital expenditures, resulting in an exposure to interest rate risk. The Company 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 long-term debt or enter into interest rate hedging contracts to limit its exposure to fluctuations in floating interest rate debt.

For the Company's regulated subsidiaries, the cost of debt is generally passed through to ratepayers. While regulatory ROE rates will generally and indirectly follow the direction of interest rates, regulatory ROE's are 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. Rising interest rates may also negatively affect the economic viability of project development initiatives.

Commodity Prices and Foreign Exchange Rate Fluctuations

A substantial amount of the Company's fuel supply comes from international suppliers and is subject to commodity price risk. Fuel contracts may be exposed to broader global conditions which may include impacts on delivery reliability and price, despite contracted terms. The Company seeks to manage this risk through the use of financial hedging instruments and physical contracts. In addition, the adoption and implementation of FAMs in certain subsidiaries has further helped manage this risk. The regulatory framework for the Company's rate-regulated subsidiaries permits the recovery of prudently incurred costs.

The Company enters into foreign exchange forward and swap contracts to limit exposure on foreign currency transactions such as fuel purchases and USD revenue streams.

E. Guarantees and Letters of Credit

Emera had outstanding the following guarantees and letters of credit on behalf of third parties which are not included within the Consolidated Balance Sheets as at June 30, 2015:

- NSPI has provided a limited guarantee for the indebtedness of Renewable Energy Services Ltd. ("RESL") under a $23.5 million loan agreement between RESL and a third-party lender. As at June 30, 2015, RESL's indebtedness under the loan agreement was $17.8 million. As security for RESL's indemnity obligations to NSPI in respect of the guarantee, NSPI holds a security interest in the present and future assets owned by RESL in connection with a wind energy project at Point Tupper, Nova Scotia. For further information, see Note 26.

- Emera has provided a completion guarantee to the Government of Canada, whereby it has guaranteed the performance of the obligations of NSPML to cause the completion of the Maritime Link Project, subject to certain conditions set out in that guarantee. The cost of those obligations is estimated to be $1.577 billion.

- Emera has provided a guarantee to the Long Island Power Authority ("LIPA") on behalf of Bear Swamp for Bear Swamp's long-term energy and capacity supply agreement ("PPA") with LIPA, which expires on April 30, 2021. The guarantee is for 50 per cent of the relevant obligations under the PPA up to a maximum of $5.1 million USD. As at June 30, 2015, the fair value of the PPA was positive.

- Standby letters of credit in the amount of $10.2 million USD for the benefit of third parties that have extended credit to Emera and its subsidiaries. These letters of credit typically have a one-year term and are renewed annually as required.

- A standby letter of credit to secure obligations under an unfunded pension plan in NSPI. The letter of credit expires in June 2016 and is renewed annually. The amount committed as at June 30, 2015 was $42.6 million.

- A standby letter of credit to secure obligations under an unfunded pension plan in Emera Maine. The letter of credit expires in October 2015 and is renewed annually. The amount committed as at June 30, 2015 was $2.2 million USD.

- A standby letter of credit was issued to secure the obligations of Emera Reinsurance Limited under reinsurance agreements. The letter of credit expires in February 2016. The amount committed as at June 30, 2015 was $2.0 million USD.

- NSPI has standby letters of credit in the amount of $0.8 million, the majority of which cover an Abandonment Reclamation Agreement related to a lease with the Province of Nova Scotia. These letters of credit have a one-year term and are renewed annually as required.

24. COMMON STOCK

Authorized: Unlimited number of non-par value common shares.

Issued and outstanding:	millions of shares	millions of Canadian dollars	
Balance, December 31, 2014	143.78	$	2,016.4
Issued for cash under Purchase Plans at market rate	0.98		40.2
Discount on shares purchased under Dividend Reinvestment Plan	-		(1.8)
Options exercised under senior management share option plan	0.02		0.6
Stock-based compensation	-		0.5
Balance, June 30, 2015	**144.78**	**$**	**2,055.9**

25. NON-CONTROLLING INTEREST IN SUBSIDIARIES

Non-controlling interest in subsidiaries consisted of the following:

As at millions of Canadian dollars		**June 30 2015**		December 31 2014
Preferred shares of NSPI	**$**	**132.2**	$	132.2
ECI		**109.2**		99.6
ICDU		**45.4**		40.9
Preferred shares of GBPC		**33.5**		33.5
Preferred shares of Emera Maine		**0.4**		0.4
	$	**320.7**	$	306.6

26. VARIABLE INTEREST ENTITIES

The Company performs ongoing analysis to assess whether it holds any variable interest entities ("VIEs"). To identify potential VIEs, management reviews contracts under leases, long-term purchase power agreements, tolling contracts and jointly owned facilities.

VIEs of which the Company is deemed the primary beneficiary must be consolidated. 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 or the right to receive benefits from the entity that could potentially be significant to the entity. In circumstances where Emera is not deemed the primary beneficiary, the VIE is accounted for using the equity method.

For the three and six months ended June 30, 2015, the Company has identified the following significant VIEs:

Emera holds a variable interest in NSPML, a VIE for which it was determined that Emera was not the primary beneficiary since it does not have the controlling financial interest of NSPML. In Q2 2014, critical milestones were achieved and Nalcor Energy was deemed the beneficiary of the asset for financial reporting purposes as they have power over the majority of the direct activities that are expected to most significantly impact the economic performance of the Maritime Link Project. Thus, Emera began recording the Maritime Link Project as an equity investment.

ECI has established a Self-Insurance Fund ("SIF") primarily for the purpose of building a fund to cover risk against damage and consequential loss to certain generating, transmission and distribution systems. ECI holds a variable interest in the SIF for which it was determined that ECI was the primary beneficiary and, accordingly, the SIF must be consolidated by ECI. In its determination that ECI controls the SIF, management considered that, in substance, the activities of the SIF are being conducted on behalf of ECI's subsidiary BLPC and BLPC, alone, obtains the benefits from the SIF's operations. Additionally, because ECI, through BLPC, has rights to all the benefits of the SIF, it is also exposed to the risks related to the activities of the SIF.

NSPI holds a variable interest in RESL, a VIE for which it was determined that NSPI was not the primary beneficiary since it does not have the controlling financial interest of RESL. NSPI has provided a guarantee for the indebtedness of RESL under a loan agreement between RESL and a third-party lender for $23.5 million, in support of which NSPI holds a security interest in the present and future assets owned by RESL in connection with a wind energy project at Point Tupper, Nova Scotia. The guarantee arose in conjunction with NSPI's participation in the foregoing wind energy project, which is being operated by RESL. Under a purchased power agreement, NSPI purchases, at a fixed price, 100 per cent of the power generated by the project. A default by RESL, under its loan agreement, would require NSPI to make payment under the guarantee. As at June 30, 2015, RESL's indebtedness under the loan agreement was $17.8 million (December 31, 2014 – $18.4 million), and NSPI has not recorded a liability in relation to the guarantee.

The Company has identified certain long-term purchase power agreements that could be defined as variable interests as the Company has to purchase all or a majority of the electricity generation at a fixed price. However, it was determined that the Company was not the primary beneficiary since it lacked the power to direct the activities of the entity, including the ability to operate the generating facilities and make management decisions.

Emera's consolidated VIE is recorded in "Available-for-sale investment" and "Restricted cash". The following table provides information about Emera's portion of consolidated and unconsolidated VIEs:

As at	**June 30, 2015**		December 31, 2014	
millions of Canadian dollars	**Total assets**	**Maximum exposure to loss**	Total assets	Maximum exposure to loss
Consolidated VIE				
BLPC SIF	**$ 91.4**	**$ 91.4**	$ 85.0	$ 85.0
Unconsolidated VIEs in which Emera has variable interests				
NSPML (equity accounted)	**166.5**	**1,120.0**	159.3	1,292.1
RESL	**-**	**17.8**	-	18.4

27. SUBSEQUENT EVENTS

On July 3, 2015, Emera announced it would not redeem the 6,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A Shares ("the Series A Shares).

On July 16, 2015, Emera announced a dividend rate of 2.555 per cent per annum on the Series A Shares during the five-year period commencing on August 15, 2015 and ending on (and inclusive of) August 14, 2020 ($0.1597 per Series A Share per quarter). Emera also announced a dividend rate of 2.393 per cent on the Cumulative Floating Rate First Preferred Shares, Series B (the "Series B Shares") for the three-month period commencing on August 15, 2015 and ending on (and inclusive of) November 14, 2015 ($0.1508 per Series B Share for the quarter).

During the conversion period between July 16, 2015 and July 31, 2015, holders of Series A Shares had the right, at their option, to elect to convert all or any of their Series A Shares, on a one-for-one basis, into Series B Shares on August 15, 2015 (the "Conversion Date"). On the Conversion Date, Emera expects that there will be 3,864,636 Series A Shares and 2,135,364 Series B Shares outstanding.

These financial statements and notes reflect the Company's evaluation of events occurring subsequent to the balance sheet date through August 10, 2015, the date the financial statements were issued.