

**2013-2014 General Rate Application
Settlement Agreement
September 14, 2012**

Whereas NS Power filed a General Rate Application for 2013 and 2014 on May 8, 2012;

And Whereas the Board Hearing Schedule provided for Information Requests to NS Power and Responses, Testimony from Board and Intervenor consultants with corresponding Information Requests and Responses, Reply Evidence from NS Power, and Opening Statements from parties and consultants;

And Whereas the Parties to this Settlement Agreement, which include NS Power, Avon Group, the Consumer Advocate and the Small Business Advocate, desire to resolve all issues in the General Rate Application by way of this Agreement;

The Parties agree:

1. The 2013-2014 Rate Stabilization Plan is accepted and adopted, as filed, subject to the changes contained in this document. This includes a three percent overall rate increase for each of 2013 and 2014, plus a deferral of forecasted revenue requirement that is not otherwise recovered by the two rate adjustments, using the August 31 update. The deferral recovery would begin in 2015 in an amount that is equivalent to the s.21 amount in rates.
2. NSPI will identify, at its own discretion, and manage the business in order to achieve a \$27.5 million reduction in the deferral balance over the two year period. None of the reductions will be achieved through fuel forecast reductions. This will resolve all issues relating to revenue requirement, subject to items 3 and 6 (below).
3. ROE will be set at 9.0% for rate making purposes, with a 0.25 band. Therefore the ROE range will be from 8.75% to 9.25%.
4. The result of the changes in items 2 and 3 will be that the fixed cost deferral amount will not exceed \$103.2 million, less the financial effect of the lower ROE and the resulting lower interest costs relating to financing a lower deferral amount. For the purpose of calculating interest, the deferral will be reduced by \$13.75 million in each year of 2013 and 2014.
5. S.21 amounts will be accepted as filed. The S.21 AAA Mechanism will continue as part of the Rate Stabilization Plan, as proposed in the Application.
6. Fuel – Base Cost of Fuel will be set as per the August 31 update. Liberty's proposals regarding natural gas will be determined by the outcome of the FAM Audit process. If the UARB accepts Liberty's views in that process, the Base Cost of Fuel and therefore the revenue requirement (and deferral) will be reduced to the extent the audit outcome affects the fuel forecast for 2013 and 2014. Liberty's suggested reductions relating to imports are not adopted but the suggestion will be referred to the Small Working Group for study and possible changes to the forecasting methodology for future implementation.
7. The FAM Audit issues will continue to be litigated in accordance with the Board schedule for the hearing that commences October 29. The financial result of the hearing, if any, will be implemented beginning January 1, 2013 separate and apart from the Rate Stabilization Plan.
8. NS Power's proposal to update OATT pricing, with the exception of its request for an ECRM (which has already been determined by the Board), will be accepted as filed. The matter of the MEUNSC responsibility for deferrals, in the event of departure from the system, may be determined in a future application before the UARB. Parties are free to take any position on OATT related matters in future proceedings.

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9. The SBA request for an adjustment to the R/C ratios for small business classes will be referred to the Cost of Service Study proceeding.
10. Adjustments will be made to the Large Industrial Interruptible class to ensure this class of customers receives the same 3% adjustments as experienced by other customer classes, similar to the approach taken in the 2009 GRA Settlement Agreement.
11. During the hearing parties to the agreement will refrain from seeking any changes to the agreement or additional reductions to revenue requirement. This settlement is without prejudice to any position that parties may take on these issues in future proceedings.

Signed and Delivered:

<p>Nova Scotia Power Incorporated</p> <hr/> <p>Per: J. Rene Gallant</p>	<p>Consumer Advocate</p> <hr/> <p>Per: John Merrick, Q.C.</p> <hr/> <p>Per: Bill Mahody</p>
<p>Avon Group</p> <hr/> <p>Per: Nancy Rubin</p>	<p>Small Business Advocate</p> <hr/> <p>Per: Nelson Blackburn, Q.C.</p>
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