NOVA SCOTIA POWER
An Emera Company

November 30, 2010

Nancy McNeil
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
PO Box 1692, Unit "M"
Halifax, NS B3J 3S3

Re: CI 38852 – Work Vehicle Replacement NSPI Responses to Board Directives – P-128.10

Dear Ms. McNeil:

In its letter dated November 17, 2010, in the above referenced matter, the Board provided the following:

> The Board notes that NSPI's response regarding the decision to lease a number of vehicles in 2009, due to "cash flow issues", may indicate that leasing was a more cost effective option than purchase. Please provide a cost benefit comparison of vehicles' life cycle costs which shows that the decision to lease 16 work vehicles in 2009 provided savings for NSPI customers.

Please find attached an analysis which compares the present values of the decision to lease the work vehicles in 2009 and buy out the lease in November 2010 to the original purchase cost. The analysis was conducted using the 2009 pre-tax weighted average cost of capital of 8.23% and shows that the result of this decision was a cost savings of approximately $125,000.

I trust this analysis meets the Board's requirements. Please direct any further questions in this matter to the undersigned.

Sincerely,

Lee Thomson-Lutz, MBA, CMA
Manager, Capital

Lease versus Buy Decision- Benefit Analysis

Discount Rate 8.23%

Period	June-09	July-09	August-09	September-09	October-09	November-09	December-09
Payment	4,586	22,894	57,951	60,366	60,366	60,366	60,366
Discount Factor	0.9932	0.9864	0.9797	0.9730	0.9664	0.9598	0.9533
Present Value	**$4,555**	**$22,584**	**$56,775**	**$58,738**	**$58,338**	**$57,941**	**$57,546**

Period	January-10	February-10	March-10	April-10	May-10	June-10	July-10	August-10	September-10	October-10	November-10	November-10
Payment	60,366	60,366	60,366	60,366	60,366	60,366	60,366	60,366	60,366	60,366	60,366	2,670,896
Discount Factor	0.9468	0.9403	0.9339	0.9276	0.9213	0.9150	0.9087	0.9026	0.8964	0.8903	0.8842	0.8782
Present Value	**$57,154**	**$56,765**	**$56,378**	**$55,994**	**$55,613**	**$55,234**	**$54,858**	**$54,484**	**$54,113**	**$53,744**	**$53,378**	**$2,345,622**

Net Present Value:

Lease & Buyout Decision	**$3,269,813**
Vehicle Purchase Decision	**$3,395,556**
Benefit for Customers	**$125,744**