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From: Nancy McNeil, Regulatory Affairs Officer/clerk

Date: November 30, 2010

Subj: Return on Equity for Electric Utilities

This is further to your recent email. Rates of return for the utilities the Nova Scotia Utility and Review Board (the "Board") regulates are determined after reviewing the methods you identified, that is discounted cash flow, the capital asset pricing model and the equity risk premium. Traditionally most reliance has been placed upon the equity risk premium method.

There is no formula applied in this jurisdiction as, for example, was recently the case at the National Energy Board.

Depreciation rates are usually set in a depreciation hearing. The largest utility the Board regulates is Nova Scotia Power Inc. ("NSPI") and it has recently applied for a revision to its depreciation rates. That application is available on the Board website including NSPI's depreciation study.

The principal generating utility in Nova Scotia is NSPI which is an integrated electric utility. Its hydro electric resources are combined with all of its other resources so there is no special rate of return for the hydro assets.

I hope this answers your queries.