ORIGINAL Exhibit - N-22

NSUARB File – NSPI – P-886

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: *The Public Utilities Act*, R.S.N.S. 1989, c. 380, as amended

- and -

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

Direct Testimony and Exhibit of

Michael Gorman

On behalf of

Bowater Mersey Paper Company Limited
Stora Enso Port Hawkesbury Limited

December 20, 2006
Project 8695

BAI
BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

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Nova Scotia Utility
and Review Board

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Direct Testimony of Michael Gorman

1. INTRODUCTION & SUMMARY

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A My name is Michael Gorman and my business address is 1215 Fern Ridge Parkway, Suite 208, St. Louis, MO 63141-2000.

Q WHAT IS YOUR OCCUPATION?

A I am an energy advisor and a consultant in the field of public utility regulation and a managing principal in the firm of BAI (Brubaker & Associates, Inc.).

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A These are set forth in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of Stora Enso Port Hawkesbury Limited and Bowater Mersey Paper Company Limited, collectively SEB. These are NSPI's two largest

customers and are an integral part of the Nova Scotia economy. These forest product companies are in a very competitive global situation and the cost of electricity forms a large portion of the input cost to their manufacturing process.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A I recommend a return on equity for Nova Scotia Power Inc. (NSPI), and a reduction in pension expense.

Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS PROCEEDING.

A I recommend NSPI's authorized return on equity be reduced from the currently authorized return of 9.55% down to at least 9.0% to reflect a decline to capital market costs. If a fuel deferral or similar mechanism is approved, NSPI's return on equity should also be reduced to reflect this risk reduction by lowering the equity return by up to a further 0.5 percentage points.

I also recommend normalization of the Company's projected pension expense. The Company's projections show that the 2007 pension expense is significantly higher than the pension expense projected for calendar years 2008 through 2011. I recommend the normalization of pension expense for ratemaking purposes.

I propose rates be based on a pension expense of $28.46 million, which represents the average NSPI projected expense over the period 2007 through 2011. Normalizing the Company's pension expense based on its projected multi-year pension expense amount will lower the Company's test year pension expense by $4.58 million.

Q PLEASE SUMMARIZE WHY NSPI'S AUTHORIZED RETURN ON EQUITY SHOULD BE REDUCED TO REFLECT A DECLINE IN CAPITAL MARKET COSTS.

A Current and projected interest rates have declined significantly relative to the interest rates used to develop NSPI's current authorized return on equity. Indeed, the Canadian bond yield used to support the 9.55% return on equity was based on a contemporary market (2004) Canadian bond yield of 5.0%, and rate effective year (2005) projected Canadian bond yield of 5.7%. The current 2006 long-term Canadian bond yield is around 4.3%, and 2007 projected long-term Canadian bonds range from 4.22% to 5.0%.

As such, long-term interest rates have declined by approximately 0.70%, and projected long-term interest rates have declined by 0.70% to 1.50%, in comparison to the interest rates used to support NSPI's current authorized return on equity. This decline in current and projected interest rates indicates a decline in capital market costs and supports a reduction to NSPI's ROE.

This decline in capital market costs has been recognized in the authorized returns on equity for other Canadian utilities. Specifically, over the last two years authorized returns on equity for Canadian pipeline utility companies and Alberta utilities have declined from approximately 9.5% in 2004/2005 to 8.5% most recently for 2007. While the authorized return for a multi-pipeline Canadian utility might not be appropriate for NSPI, one clear aspect of more recent authorized returns on equity is indisputable. The cost of common equity for utility companies today is much lower than it was in 2004 and 2005 when NSPI's current authorized return was established.

Q WHY SHOULD NSPI'S AUTHORIZED RETURN ON EQUITY BE REDUCED IF A FUEL DEFERRAL OR SIMILAR MECHANISM IS APPROVED?

A A reduction to NSPI's authorized return on equity is appropriate if the Board approves a fuel deferral account or similar regulatory mechanism in this proceeding. Such regulatory mechanisms can lower NSPI's operating risk by helping to stabilize cash flow via fuel cost recovery. Implementing regulatory mechanisms that reduce this operating risk will shift fuel price volatility risk to customers from NSPI, thus reducing NPSI's risk and increasing customers' price variability risk.

Further, in the Board's order in authorizing NSPI's current 9.55% return on equity, the Board clearly found that that authorized return on equity was made in recognition that a Fuel Adjustment Mechanism (FAM) would not be implemented. The evidence in that case indicated that if a FAM was implemented, NSPI's cost would be approximately 0.50 percentage points lower.

As such, if a fuel deferral or similar mechanism is implemented, reducing NSPI's authorized return on equity is appropriate in recognition of the operating risk reduction, and customers are entitled to reduced non-fuel rates as compensation for assuming NSPI's fuel cost risk.

2. LOWER INTEREST RATES

Q PLEASE EXPLAIN WHY YOU BELIEVE LONG-TERM CANADIAN BOND YIELDS HAVE DECLINED SIGNIFICANTLY RELATIVE TO THE COST OF CAPITAL ANALYSES SUPPORTING NSPI'S CURRENT AUTHORIZED RETURN ON EQUITY.

A NSPI's current authorized return on equity was originally set by the Board in its Decision NSUARB-NSPI-P-881, 2005 NSUARB 27, March 31, 2005. In that

Decision, the Board found a 9.55% return on equity to be reasonable for NSPI based on the evidence in that proceeding. The Board accepted the recommendations of Staff witness James Rothschild of 9.5%, and my recommendation in that proceeding of 9.60%. The Board then averaged these two recommendations to arrive at its authorized return of 9.55%. Also, the Board specifically stated that this authorized return on equity recognized that it was not adopting a FAM (Board Decision at 78 and 79).

In developing my recommended 9.6% return on equity for the 2005 rate case, I relied on a current Canadian bond yield of 5.0%, and a projected Canadian long-term bond yield of 5.7%, that was estimated by NSPI witness Dr. Roger Morin and used in his analysis in the 2005 rate case (Docket NSUARB-NSPI-P-881, 2005 NSUARB 27, NSPI Evidence, Appendix G, p. 68-69).

As shown on my attached Schedule MPG-1, Page 1, Canadian long-term bond yields have been declining steadily over the last few years. The current bond yield of 4.3% is more than 80 basis points lower than the average 2004 Canadian long-term bond yield of 5.14% and 70 basis points lower than the 5.0% Canadian bond yield used in my return on equity analysis in the 2005 rate case.

Projected long-term Canadian bond yields are also much lower today relative to the interest rates used to develop the return on equity evidence the Board relied on in authorizing NSPI a 9.55% return on equity. As noted above, I relied on Dr. Morin's projected long-term Canadian bond yield of 5.7% as a component of my analysis. In this case, Dr. Morin has identified a recent projected Canadian bond yield in 2007 of 5.0% (Dr. Morin, NSPI Direct Evidence at 127). Further, other projections of 2007 long-term Canadian bond yields are much lower than that estimated by Dr. Morin in Decision NSUARB-NSPI-P-881. For example, the Alberta Energy and Utilities Board

relied on a projected 2007 long-term Canadian bond yield of 4.22% in developing its generic return on equity formula result of 8.51% on November 27, 2006 (Alberta Energy Utilities Board, Order U2006-292(Errata), Application No. 1487360). This generic ROE applies to a mix of electric and gas utilities.

As outlined above, current interest rates are approximately 70 to 80 basis points lower than the interest rates that prevailed at the time evidence was developed that supported the Board's decision that NSPI's return on equity should be 9.55%. Further, projected long-term Canadian bond yields during the first year rates would be in effect are approximately 70 to 150 basis point lower than the projected long-term Canadian bond yield used in my analyses that supported the Board's decision that NSPI's return on equity should be 9.55%.

Q IS THERE EVIDENCE THAT AN EQUITY RISK PREMIUM TO LONG-TERM CANADIAN BOND YIELDS TO DEVELOP NSPI'S RETURN ON EQUITY HAS INCREASED SINCE 2004?

A No. Indeed, NSPI witness Dr. Morin clearly stated in his evidence in this case that equity risk premiums have not increased relative to 2004 (Dr. Morin, NSPI Direct Evidence at 126). Consequently, a decline in current and projected interest rates today, relative to the time the analyses were completed in 2004 that supported the Board's findings on a fair return for NSPI in 2005, along with flat equity risk premiums, clearly demonstrates that NSPI's authorized return on equity should be reduced in this proceeding.

Q HOW WOULD THE DECLINE IN CANADIAN BOND YIELDS IMPACT A FAIR RETURN FOR NSPI IN THIS PROCEEDING?

A NSPI's current authorized return of 9.55% was based on current long-term Canadian bond yields of approximately 5.0%, and projected long-term Canadian bond yields of approximately 5.7%. In this proceeding, current long-term Canadian bond yields are approximately 70 to 80 basis points lower than the 2004 yield, or an average of 75 basis points lower than the 2005 rate case. Further, projected long-term Canadian bond yields for 2007 are approximately 150 to 70 basis points lower than the projected long-term Canadian yields included in NSPI's current equity return, for an average projected Canadian yield decline of 110 basis points. Hence, the evidence in this proceeding relative to the evidence at the time NSPI's last authorized return on equity was established indicates an approximate decline in Canadian long-term bond yields of 75 to 110 basis points.

The decline in interest rates would suggest that NSPI's current return on equity would be 75 to 110 basis points lower than the 9.55% the Board approved in calendar year 2005. This would indicate a return on equity in the range of 8.45% to 8.80%. To be conservative, I recommend the Board reduce NSPI's return to the high end of this recommended range, rounded to 9.0% as an additional conservative measure. This is conservative because it reduces the equity return less than the decline in interest rates.

Using the Board's equity return range spread from NSPI's last rate decision of 0.25 percentage points, a midpoint return on equity of 9.0% would produce an earnings range of 8.75% to 9.25%.

3. AUTHORIZED UTILITY RETURNS

Q WHY DO YOU BELIEVE CANADIAN AUTHORIZED RETURNS ON EQUITY FOR UTILITY COMPANIES HAVE DECLINED SIGNIFICANTLY OVER THE LAST TWO YEARS?

A On my Schedule MPG-1, Page 2, Column 1, I show the approved formula return on equity estimated for Canadian pipeline utilities relative to the long-term Canadian bond yield. As shown on this schedule, authorized returns on equity for Canadian pipelines have declined from approximately 9.56% in 2004, down to 8.88% for 2006, and have declined to 8.46% as currently set for 2007.

Further, the Alberta Energy and Utilities Board's generic return on equity formula also has recognized a significant decline in authorized returns on equity and capital market costs between 2004 and projected 2007. For 2004, the AEUB set a generic return on equity for Alberta electric and gas utilities of 9.6%, for calendar year 2007, its generic return on equity was reduced to 8.5%. This is a 1.1 percentage point reduction to the generic return on equity for Alberta utilities (Alberta Energy and Utilities Board, Other Utilities – Miscellaneous, Decision 2006-292 (Errata), Appendix A at 1).

Q IS IT YOUR TESTIMONY THAT NSPI'S AUTHORIZED RETURN ON EQUITY SHOULD BE SET EQUAL TO THE SAME AUTHORIZED RETURN ON EQUITY AS OTHER CANADIAN UTILITY COMPANIES?

A No. I agree with NSPI witness Dr. Morin that a return on equity analysis for NSPI should be based on NSPI's operating, regulatory and financial risk. The Board developed a complete record on a fair return on equity for NSPI's investment risk in its 2005 proceeding where it adopted a 9.55% return on equity. In these

circumstances, it is appropriate to recognize the significant decline in capital market costs since that 9.55% return on equity was adopted.

The fact that Canadian utility authorized returns on equity have been declining is material evidence in support of reducing NSPI's authorized return on equity in this proceeding. That is, authorized returns have been declining because capital costs have been declining.

Q IS THERE AN IMPLICIT EQUITY RISK PREMIUM TO A PROJECTED LONG TERM CANADIAN BOND YIELD THAT RELATES TO NSPI'S CURRENT 9.55% RETURN ON EQUITY?

A Yes. In the record that provided the support for the Board's finding of a 9.55% fair return for NSPI, NSPI projected the long term Canadian bond yield to be 5.7%. This implies an equity risk premium over long-term Canadian bonds of 3.85 percentage points (9.55% less 5.7%). This is a much more reasonable equity risk premium than that estimated by Dr. Morin in this proceeding of 4.5 to 5.5 percentage points (Dr. Morin, NSPI Direct Evidence at 126).

Indeed, in the Board's Decision authorizing NSPI's current return on equity, it found that Dr. Morin's recommendations overstated the fair rate of return (Decision at 79). Dr. Morin's estimated equity risk premium in this case is again too high to be relied on to estimate a fair return for NSPI.

Using the equity risk premium reflective of NSPI's current 9.55% authorized return on equity, and Dr. Morin's 2007 long term Canadian bond yield projection of 5.0%, indicates a fair return on equity for NSPI in 2007 of 8.85% (3.85% plus 5.0%). Again, this shows that reducing NSPI's authorized return on equity to 9.0% would be reasonable and conservative.

4. DEFERRAL RISK REDUCTION

Q WHY DO YOU BELIEVE THAT THE IMPLEMENTATION OF A FUEL DEFERRAL ACCOUNT OR SIMILAR REGULATORY MECHANISM WILL LOWER NSPI'S INVESTMENT RISK?

A To the extent the Board approves regulatory mechanisms that will reduce or eliminate NSPI's cost recovery risk of prudently incurred fuel costs, its investment risk will decline and credit strength improve. This lower investment risk should be reflected by a reduced return on equity.

Q WHAT ADJUSTMENT TO A RETURN ON EQUITY IS APPROPRIATE IF THE BOARD IMPLEMENTS A FUEL DEFERRAL ACCOUNT OR SIMILAR REGULATORY MECHANISM?

A In NSPI's evidence in Decision NSUARB-NSPI-P-881, witness Dr. Roger Morin estimated that the reduction in return on equity through the implementation of a fuel adjustment mechanism would be approximately 0.5 percentage points. In determining a fair return on equity for NSPI in that proceeding, the Board awarded NSPI a higher return on equity in recognition that it would not approve a FAM.

Q DID THE RECORD IN THAT CASE INDICATE A FAM WOULD REDUCE NSPI'S RETURN ON EQUITY?

A Yes. The evidence in the last case indicated that the authorized return on equity should be reduced by approximately 0.5 percentage points. The reduced return on equity was estimated and supported by NSPI witness Dr. Morin and accepted by myself. Further, Avon witness Billie S. LaConte (Decision at 78) recommended a

return on equity reduction of 0.6% if a FAM was approved. As such, if the Board approves a fuel deferral or other regulatory mechanism in this proceeding, then NSPI's authorized return on equity should be reduced by approximately 0.5 percentage points depending on the nature of the mechanism.

Q WHAT RETURN ON EQUITY WOULD BE APPROPRIATE FOR NSPI IN THIS PROCEEDING IF A FUEL DEFERRAL OR SIMILAR REGULATORY MECHANISM IS APPROVED?

A Excluding consideration of adoption of a fuel deferral mechanism, NSPI's current 9.55% authorized return on equity should be reduced by at least 55 basis points to reflect much lower capital market costs today, and projected for 2007, relative to the evidence used to support NSPI's current authorized return on equity. This would indicate that NSPI's authorized return on equity in this proceeding excluding a fuel deferral mechanism should be no higher than 9.0%.

If the Board implements a fuel deferral mechanism with bandwidth and sharing mechanisms as proposed by my colleague, Dr. Alan Rosenberg, a return on equity adjustment of less than 0.5% would be appropriate. In such a deferral mechanism, NSPI retains some, but not all, fuel risk.

However, the opportunity to defer under recovered fuel costs within the guidelines proposed by Dr. Rosenberg will mitigate NSPI's fuel cost recovery risk, and help stabilize its future cash flow. The reduction to its fuel cost recovery risk, and stabilizing its cash flow will lower NSPI's investment risk, and justify a reduced return on equity. Under Dr. Rosenberg's proposed deferred fuel mechanism, the cost recovery risk would be shared between NSPI and its customers. In that instance, I would recommend NSPI's authorized return on equity be reduced by 0.25 percentage

points. This is approximately half of the full equity return reduction through a full fuel cost and revenue reconciliation. Dr. Rosenberg's proposal to implement a fuel deferral mechanism, while still encouraging NSPI to manage fuel costs, nevertheless mitigates its cost recovery risk. This would indicate an appropriate return on equity for NSPI in this proceeding of 8.75%, with a fuel deferral mechanism with sharing bands.

Q DO YOU HAVE ANY GENERAL COMMENTS CONCERNING NSPI WITNESS DR. MORIN'S CONTENTION THAT NSPI'S CURRENT 9.5% RETURN ON EQUITY SHOULD NOT BE ADJUSTED IN THIS PROCEEDING?

A Yes. Dr. Morin's evaluation is based on stale and false assumptions. Specifically, Dr. Morin is of the opinion in his August 2006 testimony that Canadian authorized returns on equity of 9.0% for calendar year 2006 would remain unchanged or even increase based on projected increases in interest rates (Dr. Morin, NSPI Direct Evidence at 110, 125 and 127). In fact, Dr. Morin was wrong on both accounts.

For calendar year 2007, many Canadian utilities' authorized returns on equity have declined and interest rates have also declined. These declines support my contention that NSPI's return on equity should be reduced in this proceeding. As such, Dr. Morin's recommendation should be disregarded for the following reasons:

1. The authorized returns on equity for calendar year 2007 have declined relative to 2006, not increased as Dr. Morin assumed (Dr. Morin, NSPI Direct Evidence at 110).

2. Dr. Morin observed that 10-year Canadian bond yields were 4.5% at the time he drafted his testimony, and were expected to rise slightly. Indeed, 10-year Canadian bonds have declined since Dr. Morin drafted his testimony. Current Canadian 10-year bond yields in November 2006 were quoted at 3.94%, approximately 55 basis points lower than the yield referenced (Dr. Morin, NSPI Direct Evidence at 125).

As such, Dr. Morin's proposal was based on the false assessment that authorized returns on equity and interest rates would remain unchanged or increase relative to his August 2006 evidence, when in fact they have done just the opposite. As such, the Board should adjust NSPI's authorized return on equity to reflect lower interest rates in calendar year 2007 relative to the time period Dr. Morin conducted his study.

Further, Dr. Morin's comparison of interest rates does not properly evaluate interest rates during the time period evidence was taken to support the Board's 9.55% return on equity decision for NSPI. Dr. Morin compared interest rates for March 2005 through August 2006 to support his contention that interest rates have not materially changed (Dr. Morin, NSPI Direct Evidence at 125). However, the 10-year bond yield noted in Dr. Morin's evidence in the 2005 rate case reflected calendar year 2004 data, and included a 10-year Treasury bond yield of 5.2% (Dr. Morin, NSPI Direct Evidence in 2005 rate case, Appendix G, Page 68 of 129). Indeed, interest rates today are significantly lower than they were at the time evidence was taken to support NSPI's current authorized return on equity. Dr. Morin's comparison of interest rates simply ignores the higher interest rates that were embedded in the evidence supporting NSPI's current return on equity of 9.55%.

5. PENSION EXPENSE

Q WHAT LEVEL OF PENSION EXPENSE DID NSPI INCLUDE IN ITS 2007 REVENUE REQUIREMENT?

A The Company is requesting a level of pension expense of $33.0 million in 2007. This compares to a level of pension expense of $29.8 million in its 2006 compliance filing. This is an increase in pension expense of $3.2 million. The Company contends that

the increase in pension expense results from an update of the return on asset assumptions used in the 2007 pension calculations. (Dr. Morin, NSPI Direct Evidence, Page 89)

Q DO YOU HAVE ANY COMMENTS ABOUT THE LEVEL OF PENSION EXPENSE THAT THE COMPANY HAS INCLUDED IN ITS REQUESTED REVENUE REQUIREMENT?

A Yes. The level of pension expense that the Company is proposing is higher than the levels of pension expense that NSPI is projecting for the next four years.

Q WHAT LEVEL OF PENSION EXPENSE IS THE COMPANY PROJECTING IT WILL INCUR FROM 2007 THROUGH 2011?

A In response to UARB IR-44, NSPI provided the following levels of pension expense from 2007 through 2011.

TABLE 1

Annual Pension Expense

Year	Pension Expense (000)
2007	$33,041
2008	$31,487
2009	$28,004
2010	$25,879
2011	$23,898
Average	$28,462

As Table 1 above shows, the pension expense varies over the next five years. In fact, over the next five years, the average level of pension expense is projected to be

$28.462 million. Also, after 2007, NSPI is projecting the pension expense will decline on average by over $2 million per year.

Q WHAT IS YOUR RECOMMENDATION IN THIS PROCEEDING?

A My recommendation is that the Board approve a level of pension expense that is based on a five-year average of NSPI's pension expense from 2007 to 2011. Since the expected levels of pension expense are projected to be declining, the Board should not approve an expense for ratemaking at its highest level. It is sound ratemaking practice to normalize an expense that fluctuates over time. Also, it is not known when NSPI will file its next rate case. If the pension expense is projected to decline, using an average level of pension expense is appropriate.

In addition, it should be remembered that the pension expense is subject to various assumptions that can change over time.

Q WHAT IS THE IMPACT ON NSPI'S REVENUE REQUIREMENT OF YOUR PENSION EXPENSE RECOMMENDATION?

A My recommendation lowers NSPI's pension expense from $33.041 million to $28.462. This reduces NSPI's revenue requirement by $4.579 million.

Q DOES THIS CONCLUDE THIS PORTION OF YOUR DIRECT TESTIMONY?

A Yes it does.

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Qualifications of Michael Gorman

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Michael P. Gorman. My business mailing address is P. O. Box 412000, 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and a managing principal with Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A In 1983 I received a Bachelors of Science Degree in Electrical Engineering from Southern Illinois University, and in 1986, I received a Masters Degree in Business Administration with a concentration in Finance from the University of Illinois at Springfield. I have also completed several graduate level economics courses.

In August of 1983, I accepted an analyst position with the Illinois Commerce Commission (ICC). In this position, I performed a variety of analyses for both formal and informal investigations before the ICC, including: marginal cost of energy, central dispatch, avoided cost of energy, annual system production costs, and working capital. In October of 1986, I was promoted to the position of Senior Analyst. In this position, I assumed the additional responsibilities of technical leader on projects, and my areas of responsibility were expanded to include utility financial modeling and financial analyses.

In 1987, I was promoted to Director of the Financial Analysis Department. In this position, I was responsible for all financial analyses conducted by the staff.

Among other things, I conducted analyses and sponsored testimony before the ICC on rate of return, financial integrity, financial modeling and related issues. I also supervised the development of all Staff analyses and testimony on these same issues. In addition, I supervised the Staff's review and recommendations to the Commission concerning utility plans to issue debt and equity securities.

In August of 1989, I accepted a position with Merrill-Lynch as a financial consultant. After receiving all required securities licenses, I worked with individual investors and small businesses in evaluating and selecting investments suitable to their requirements.

In September of 1990, I accepted a position with Drazen-Brubaker & Associates, Inc. In April 1995 the firm of Brubaker & Associates, Inc. (BAI) was formed. It includes most of the former DBA principals and Staff. Since 1990, I have performed various analyses and sponsored testimony on cost of capital, cost/benefits of utility mergers and acquisitions, utility reorganizations, level of operating expenses and rate base, cost of service studies, and analyses relating industrial jobs and economic development. I also participated in a study used to revise the financial policy for the municipal utility in Kansas City, Kansas.

At BAI, I also have extensive experience working with large energy users to distribute and critically evaluate responses to requests for proposals (RFPs) for electric, steam, and gas energy supply from competitive energy suppliers. These analyses include the evaluation of gas supply and delivery charges, cogeneration and/or combined cycle unit feasibility studies, and the evaluation of third-party asset/supply management agreements. I have also analyzed commodity pricing indices and forward pricing methods for third party supply agreements. Continuing, I have also conducted regional electric market price forecasts.

In addition to our main office in St. Louis, the firm also has branch offices in Phoenix, Arizona; Corpus Christi, Texas; and Plano, Texas.

Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?

A Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of service and other issues before the regulatory commissions in Arizona, California, Delaware, Georgia, Illinois, Indiana, Iowa, Louisiana, Michigan, Missouri, New Mexico, New Jersey, Oklahoma, Oregon, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin, Wyoming, and before the provincial regulatory boards in Alberta and Nova Scotia, Canada. I have also sponsored testimony before the Board of Public Utilities in Kansas City, Kansas; presented rate setting position reports to the regulatory board of the municipal utility in Austin, Texas, and Salt River Project, Arizona, on behalf of industrial customers; and negotiated rate disputes for industrial customers of the Municipal Electric Authority of Georgia in the LaGrange, Georgia district.

Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR ORGANIZATIONS TO WHICH YOU BELONG.

A I earned the designation of Chartered Financial Analyst (CFA) from the Charter Financial Analyst Institute. The CFA charter was awarded after successfully completing three examinations which covered the subject areas of financial accounting, economics, fixed income and equity valuation and professional and ethical conduct. I am a member of CFA's Financial Analyst Society.

NOVA SCOTIA POWER INC.

Approved Return on Equity(ROE)
Premium to Actual Long-Term Canadian Bond Yield

Year	Multi-pipeline Approved Return on Equity[1] (1)	Annual Avg. LT Canadian Bond Yield[2] (2)	Approved ROE Premium to LT Canadian Bond Yield (3)
2000	9.90%	5.71%	4.19%
2001	9.61%	5.76%	3.85%
2002	9.53%	5.68%	3.85%
2003	9.79%	5.34%	4.45%
2004	9.56%	5.14%	4.42%
2005	9.46%	4.40%	5.06%
2006	8.88%	4.30%	4.58%
2007	8.46%	NA	NA
Average	**9.40%**	**5.19%**	**4.34%**

Sources:
[1]National Energy Board Canada
[2]Bank of Canada

NOVA SCOTIA POWER INC.

Approved Return on Equity(ROE)
Premium to Projected Long-Term Canadian Bond Yield

Year	Multi-pipeline Approved Return on Equity (1)	Projected Canadian Bond Yield (2)	Premium (3)
2000	9.90%	6.12%	3.78%
2001	9.61%	5.73%	3.88%
2002	9.53%	5.63%	3.90%
2003	9.79%	5.98%	3.81%
2004	9.56%	5.68%	3.88%
2005	9.46%	5.55%	3.91%
2006	8.88%	4.78%	4.10%
2007	8.46%	4.22%	4.24%
Average			**3.94%**

Sources:
National Energy Board Canada