N-48

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

MINUTES OF SETTLEMENT

WHEREAS the Applicant, Nova Scotia Power Inc. ("NSPI"), the undersigned Intervenors (Avon Valley et al, the Consumer Advocate, the Halifax Regional Municipality, and the Municipal Electric Utilities Co-operative of Nova Scotia), and the staff of the Nova Scotia Utility and Review Board, have reached agreement on the matters in issue in this Application;

AND WHEREAS this Agreement is subject to review and approval by the Nova Scotia Utility and Review Board;

THE UNDERSIGNED PARTIES ("the parties") HEREBY AGREE and respectfully request the Utility and Review Board ("UARB") to approve:

1. NSPI's 2007 test year revenue requirement is set at $1,159.5 million, with new rates effective April 1, 2007.

2. NSPI's 2007 forecasted fuel expense is set at $470 million, with the natural gas margin set at $47 million. In the event NSPI's actual natural gas margin does not achieve a level of $47 million, NSPI may defer for later recovery in rates any difference, down to $39 million, for a maximum deferral of $8 million.

3. The third year of the phase in of depreciation rates is deferred for recovery in the next general rate application.

4. All parties agree in principle that the UARB should adopt a Fuel Adjustment Mechanism ("FAM"). The parties request the UARB to establish a process that commences as soon as possible to establish a FAM. The parties will work constructively on the content or elements of a FAM. A FAM hearing will begin no later than July 15, 2007.

5. NSPI shall file with the UARB and the parties (subject to the usual undertakings regarding confidentiality), on or before October 31, 2007, an updated forecast for fuel and purchased power and other significant projected cost changes for 2008.

Any of the parties may ask the UARB to consider whether there should be a proceeding to adjust rates for 2008.

6. Excess earnings by NSPI, if any, in 2007 and 2008 will be applied to the S21 unamortized balance.

7. NSPI's request for a deferral of first quarter 2007 fuel costs is withdrawn.

8. There are no further changes to NSPI's Application including: rate base and return on rate base, return on equity, OM&G, regulatory amortizations and income taxes.

9. NSPI's request for a true-up for the 2P-RTP is deferred to the December 1 annual review of the ELI 2P-RTP rate.

10. The UARB directive from the 2006 Rate Case regarding the study of NSPI's OM&G is not deemed to be completed by this Agreement.

11. The Revenue to Cost ratio methodology as described by Dr. Stutz at pages 15 and 16 of his December 20, 2006 Evidence will be adopted, except for modifications to incorporate a change to the unmetered rate class, for which the combined C3 weighting factor will be .82 for billing services and call centres.

12. Subject to paragraph 4, above, this agreement does not preclude NSPI or any of the parties from taking any positions in future regulatory proceedings.

AGREED, and signed by legal Counsel or other authorized representative, THIS 21st DAY OF JANUARY, 2007.

Nova Scotia Power Inc.

Per: Rene Gallant

Avon Valley et al

Per: Robert G. Grant, Q.C.

Consumer Advocate

Per: John Merrick, Q.C.

Halifax Regional Municipality

Per: Martin C. Ward, Q.C.

Municipal Electric Utilities Co-operative Of Nova Scotia

Per: Don Regan

UARB Staff

Per: Bruce Outhouse, Q.C.

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