

**Memorandum of Understanding
between
Nova Scotia Utility and Review Board
and
North American Electric Reliability Corporation**

General Provisions

This Memorandum of Understanding (MOU) between the Nova Scotia Utility and Review Board (Board) and the North American Electric Reliability Corporation (NERC) reflects the desire for a continuing and cooperative relationship in improving the reliability of the North American bulk power system and in the exchange of experience, information, and data related to that system.

The Board exercises general supervision over all electric utilities operating as public utilities within the Province, pursuant to the Nova Scotia Public Utilities Act. NERC is an organization, sponsored by all sectors of the electric utility industry, whose mission is to ensure that the bulk electric system in North America is reliable, adequate and secure. NERC develops reliability standards, monitors compliance with those standards, and periodically assesses the reliability of the bulk power system in North America.

Through this MOU, NERC recognizes the Board's regulatory authority over electric utilities operating in Nova Scotia, and the Board recognizes the role that NERC has with respect to the North American bulk power system.

This MOU sets forth the mutual expectations that the Board and NERC have with respect to making reliability standards developed by NERC mandatory within the Province, assuring enforcement of those standards, and providing for payment of a fair allocation of NERC's reasonable costs for carrying out its mission. This MOU is not intended to be an enforceable agreement or contract by or against either party, notwithstanding the occasional use of the term "agree" or the use of mandatory language such as "shall" or "will" in either the MOU or its appendices.

This MOU recognizes that the Board is a statutory body with specific legislative powers and authorities which cannot be delegated, and that those powers and authorities are subject to limitations and constraints, including limitations and constraints that flow from the Board's status as a quasi-judicial tribunal.

Development of an Electric Reliability Organization

The parties understand that NERC has been certified by the U.S. Federal Energy Regulatory Commission as the "electric reliability organization" (ERO) under U.S. legislation. NERC agrees to consult with the Board on a regular basis, including with respect to amendments to its bylaws, so that the organization takes

appropriate account of Canadian and provincial issues, reflecting the international nature of the North American bulk electric system.

Development of Reliability Standards

NERC and the Board acknowledge the importance of the active participation of electricity sector participants from the Province in NERC's standards development process.

NERC commits to notify the Board of the major milestones in the development of each reliability standard.

Once the NERC registered ballot body and NERC board of trustees have approved a reliability standard, NERC will file the proposed reliability standard with the Board, accompanied by a request that the Board adopt the reliability standard. NERC will file its proposed reliability standards contemporaneously in all relevant jurisdictions. NERC will notify the Board of the actions of other jurisdictions regarding the proposed reliability standards. NERC will immediately notify the Board if any jurisdiction remands a proposed reliability standard and will work with stakeholders and all relevant jurisdictions to resolve the issues raised.

Upon receiving a request from NERC to adopt a reliability standard or standards, the Board may, following its own process which may include a public hearing, adopt some or all of the standards. The Board may remand to NERC one or more reliability standards that it does not approve with a request that NERC address the issues of concern to the Board. The parties recognize that the Board may separately adopt such reliability standard or standards as it deems necessary in the public interest.

Compliance

The parties understand that, once the Board approves a reliability standard, compliance with the reliability standard will be mandatory in Nova Scotia. The Board may enforce approved reliability standards directly. The parties also understand that NERC, working through a designated regional entity, intends to conduct compliance activities with respect to its reliability standards. The Board agrees to receive compliance information and recommendations from NERC or the regional entity for use in enforcement proceedings, which proceedings shall be conducted under the Board's direction and control. NERC or the regional entity may recommend a particular penalty for any violation that NERC or the regional entity reports, but the Board will be responsible for determining whether any violation has occurred and, if so, what remedial measures or penalties should be imposed.

The parties will work together to establish a system for disclosure by NERC of violations and to provide for assessment and reporting by NERC of inter-region

reliability risks to or from entities outside of Nova Scotia where coordinated action is required to address those risks.

The parties agree that NERC will provide relevant information on issues related to reliability compliance including reports on:

- Compliance audits and spot checks
- Readiness evaluations
- Disturbance reports
- Reliability assessments and benchmarking information
- Reports by regional organizations, where applicable

ERO Funding

NERC and the Board acknowledge that the costs associated with NERC and regional councils are currently included, directly or indirectly, in the rates of entities subject to the Board's jurisdiction. The parties agree on the importance of continuing a stable source of funding for NERC and associated regional entities. Therefore, the present method of funding should continue, with the opportunity for Board review of the costs as part of the rate cases of its jurisdictional entities.

NERC commits to a fair allocation of its reasonable costs to entities within the Province, based generally on relative share of net-energy-for-load. NERC will make an informational filing of its annual budget and funding requirement with the Board, contemporaneously with its filing in other jurisdictions.

Points of Contact

The points of contact shall be for NERC:

David Cook
Vice President & General Counsel
116-390 Village Blvd.
Princeton, New Jersey 08540
(609) 452-8060

and for the Board:

Regulatory Affairs Clerk/Officer
Nova Scotia Utility and Review Board
3rd Floor
1601 Lower Water Street
Halifax, Nova Scotia B3J 3P6
(902) 424-4448

These points of contact can be amended at any time by notification to the other party.

NERC agrees to include the Board contact on its email circulation list.

Amendment and Termination of This Memorandum

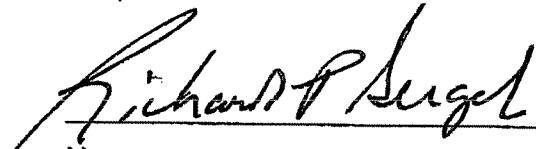
This MOU will continue until replaced or amended by the signatories or terminated by either signatory on 30 days notice.

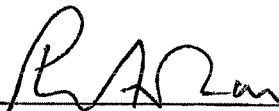
Signatures

Signed this 22 day of Dec, 2006:

North American Electric Reliability Corporation

Nova Scotia Utilities and Review Board


Name


Name

President & CEO
Title

CHAIR
Title