MEMORANDUM OF UNDERSTANDING
BETWEEN
NOVA SCOTIA POWER INCORPORATED
AND
THE NORTHEAST POWER COORDINATING COUNCIL Inc
AND
THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

This Memorandum of Understanding ("MOU") between Nova Scotia Power Incorporated ("NSPI"), the Northeast Power Coordinating Council Inc. ("NPCC") and the North American Electric Reliability Corporation ("NERC"), supports the December 22, 2006 Memorandum of Understanding between the Nova Scotia Utility and Review Board ("NSUARB," "Board") and NERC. This MOU sets forth mutual understandings of the signatories in relation to the approval and implementation of mandatory NERC Reliability Standards and NPCC Regional Reliability Criteria in Nova Scotia and other related matters.

Nothing in this MOU limits the responsibility or authority of any signatory in carrying out its respective mandate.

1. General Matters

Interpretation

References in this MOU to NERC Reliability Standards include the following:

- reliability standards that are developed and adopted by NERC and approved by industry, as well as amendments to or revisions of NERC reliability standards; and

- regional reliability standards that are developed by NPCC, approved by members and adopted by NERC, as well as amendments to or revisions of such reliability standards.

References in this MOU to NPCC Regional Reliability Criteria include any Reliability Criteria or Reliability Directories that are developed and adopted by NPCC and approved by NPCC Full Members, which Reliability Criteria or Reliability Directories are not subject to review, adoption or approval by NERC, as well as amendments to or revisions of such Reliability Criteria or Reliability Directories.

The Signatories

NSPI is a public utility in Nova Scotia, pursuant to the Nova Scotia *Public Utilities Act*, R.S.N.S. 1989, c. 380, Public Utilities Act. NSPI is a member of the NERC registered ballot body and a Full Member of NPCC.

NERC is a self regulating not for profit corporation responsible for ensuring the reliability of the bulk power system in North America. In the United States, the Federal Energy Regulatory Commission ("FERC") delegates to NERC the authority to create and enforce compliance with reliability standards. On December 22, 2006, NERC signed a Memorandum of Understanding ("December 22, 2006 MOU")

with the NSUARB to agree, among other things, to commence a process for approval and implementation of NERC standards in Nova Scotia. A copy of the December 22, 2006 MOU is attached as Schedule 1.

NPCC is one of eight Regional Entities responsible for promoting and enhancing the reliability and efficient operation of the international, interconnected bulk power system in Northeastern North America. NPCC is delegated authority from NERC in the United States to enforce NERC Reliability Standards. In addition, consistent with the *Amended and Restated By-laws of Northeast Power Coordinating Council, Inc.*, NPCC has authority to enforce NPCC Regional Reliability Criteria. In Canada, NPCC has signed Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities to support the approval and application of mandatory Standards and Criteria in Canadian jurisdictions.

2. Development and Application of NERC Reliability Standards and NPCC Regional Reliability Criteria

In accordance with NSPI's designation as a Registered Entity, NSPI agrees to comply with NERC Reliability Standards and NPCC Regional Reliability Criteria.

Upon approval by the NSUARB, the NERC Reliability Standards and NPCC Regional Reliability Criteria will become mandatory in Nova Scotia.

NERC will prepare a consolidated filing for NSUARB approval which includes all approved NERC Reliability Standards. Concurrently, NPCC will prepare a consolidated filing for NSUARB approval which includes all NPCC Regional Reliability Criteria.

Responsibilities and Timeline

NERC and NPCC shall endeavour to file the NERC Reliability Standards and NPCC Regional Reliability Criteria, for approval, with the Board by no later than the end of Q2 2010. In this and subsequent filings, NERC and NPCC will advise the Board of the status of the Standards and Criteria at FERC and in other Canadian jurisdictions.

It is anticipated by the signatories that, as a first step, the NSUARB will direct NSPI to review and provide comment on the filings. In response NSPI will provide the Board with a recommendation that the NSUARB:

- Approve the NERC Reliability Standards or NPCC Regional Reliability Criteria as mandatory;
- Request additional information;
- Remand;
- Adopt the NSUARB's own reliability standard on the issue;
- Dismiss as not relevant to Nova Scotia; or
- Other action as NSPI considers appropriate.

As necessary NSPI will consult with NERC and NPCC in the development of its recommendation and will seek to develop consensus with NPCC in the development of its filing to the NSUARB.

NSPI will endeavor to file its recommendation by the end of 2010. NSPI will, in consultation with NERC and NPCC, propose a timeline for the NSUARB approval of the Standards and Criteria.

Stakeholder Participation

The signatories anticipate that the NSUARB will require notification to stakeholders of the NERC application and the NPCC application and will provide opportunity for review and comment on the applications by stakeholders. It is understood that the NSUARB has authority in its discretion to order stakeholder discovery on the applications and an oral hearing if it determines it to be appropriate.

The signatories acknowledge that if the NSUARB directs a formal discovery process and/or oral hearing, they will have responsibilities to respond to Information Requests posed by the NSUARB and/or stakeholders and a responsibility for appropriate representative(s) of their respective organizations to testify as witnesses if the NSUARB determines it appropriate to order an oral hearing. The signatories acknowledge that this process will require their compliance with NSUARB process timelines.

The signatories anticipate generally that their responsibilities to respond to the NSUARB and/or stakeholders would fall into the following general topics and assignments:

NERC – technical appropriateness of NERC Reliability Standards from a reliability standpoint;

NPCC – technical appropriateness of NPCC Regional Reliability Criteria from a reliability standpoint;

NSPI – Nova Scotia context, cost considerations.

Notification and Approval of Amendments and/or Additions to NERC Reliability Standards and NPCC Regional Reliability Criteria

The signatories anticipate that there will be ongoing amendments and/or additions made to the NERC Reliability Standards and NPCC Regional Reliability Criteria by NERC and NPCC, respectively. These amendments and/or additions will require approval by the NSUARB before they will become mandatory in Nova Scotia.

The signatories will utilize a regular notification process that identifies to the NSUARB proposed amendments and/or additions to be made by NERC and NPCC to Reliability Standards and Regional Reliability Criteria, respectively.

NERC shall concurrently notify NSPI and the NSUARB of Reliability Standards adopted by NERC. NPCC shall concurrently notify the NSPI and the NSUARB of Regional Reliability Criteria adopted by NPCC.

Periodically, NERC and NPCC shall file all proposed amendments and/or additions to the Reliability Standards adopted by NERC and the Regional Reliability Criteria adopted by NPCC with the NSUARB for approval.

As is contemplated with the initial filing, NSPI will provide the NSUARB with a recommendation with respect to the Reliability Standards and NPCC Regional Reliability Criteria being proposed.

3. *Compliance Aspects*

Compliance Accountability in Nova Scotia

NSPI, as a Registered Entity, will be subject to NERC's Compliance Monitoring and Enforcement Program ("CMEP") as implemented by NPCC. NPCC in its determination of a NSPI violation may identify the specific NERC Reliability Standard violated as well as the associated violation risk factor and violation severity level of the non-compliance. As applicable, NPCC will review for acceptability from a reliability perspective any NSPI mitigation plans to bring NSPI into compliance and may propose a non-monetary penalty, to the Nova Scotia Utility and Review Board. NSPI can also make a submission to the Board on the situation.

The parties understand that the Board will receive this information for use in enforcement proceedings, which proceedings will be conducted under the Board's direction and control and the Board will determine whether any violation has occurred and, if so, what remedial measures or non-monetary penalties should be imposed.

Investigations

NERC and NPCC, in exercising their respective authority regarding compliance, may investigate alleged violations in Nova Scotia of Reliability Standards or NPCC Regional Reliability Criteria, as appropriate.

In order to promote effective and efficient enforcement of the NERC Reliability Standards and the NPCC Regional Reliability Criteria, NERC and NPCC will collaborate on, and coordinate their investigations while preserving their independent determination of the outcome of an investigation. The cooperation among NERC and NPCC, where applicable, will include the sharing of alleged violations and subsequent investigative information, the confidentiality of which will be protected according to NERC's and NPCC's existing policies and procedures.

Reporting Requirements

NSPI will provide NPCC all information respecting reporting requirements contained in the CMEP for both NERC Reliability Standards and NPCC Regional Reliability Criteria. NSPI will be responsible for providing information to NPCC regarding its Regional Reliability Criteria, including all information respecting routine reporting, investigations, and event based disturbance reporting.

NERC Compliance Audits

NSPI will be subject to compliance audits performed by NPCC related to NERC Reliability Standards and NPCC Regional Reliability Criteria.

NPCC Regional Reliability Criteria Compliance Audit

NSPI will be subject to NPCC Regional Reliability Criteria compliance audits.

4. *Amendment and Termination of this MOU*

This MOU will continue until replaced or amended by the signatories, or terminated on 30 days notice given by any signatory to the others.

5. *Points of Contact*

For all purposes related to this MOU, the points of contact shall be as follows:

For NERC:

David Cook
Vice President & General Counsel
North American Electric Reliability Corporation
116-390 Village Blvd.
Princeton, New Jersey 08540
(609) 4522-8060
david.cook@nerc.net

For NPCC:

Edward A. Schwerdt
President & CEO
Northeast Power Coordinating Council, Inc.
1040 Avenue of the Americas, 10th Floor
New York, NY 10018
(212) 840-1070
eschwerdt@npcc.org

For NSPI:

Eric Ferguson
Director Regulatory Affairs (Acting)
Nova Scotia Power Incorporated
1894 Barrington St., P.O. Box 910
Halifax, Nova Scotia B3J 2W5
(902) 428-6078
eric.ferguson@nspower.ca

These points of contact may be changed at any time by notification to the other signatories.

7. ***Signatures***

Signed this 11th day of May, 2010:

North American Electric Reliability Corporation Name President & CEO Title	Northeast Power Coordinating Council, Inc. Name President & CEO Title
Nova Scotia Power Incorporated Name Executive Vice-President & Chief Operating Officer Title	