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February 4, 2000

Chairman and Member of the
Nova Scotia Utility and Review Board
3rd Floor 1601 Lower Water Street
PO Box 1692 Unit "M"
Halifax NS B3J 3S3

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NOVA SCOTIA UTILITY
AND REVIEW BOARD

Mr. Chairman and Members of Board:

Re: Nova Scotia Power Inc. Application for Approval of Load Retention Rate - NSPI-P-871

On behalf of Irving Oil Limited, we wish to respond to submissions made by Nova Scotia Power Inc. that the load retention rate should afford as much flexibility as possible with respect to the term of any contracts negotiated under the proposed rate.

In our submission, the Board should deny this request and make clear from the outset that contracts under the load retention rate will not extend beyond the point of time at which customer choice is available in the electrical market.

NSPI as a regulated monopoly is seeking authority to negotiate confidential arrangements regarding charges for electrical services to its largest industrial customers.

Such a proposal can only be justified, if at all, as a temporary measure pending implementation of full retail choice.

The Board should be careful to ensure that the load retention rate is not capable of being utilized to delay implementation of customer choice. This concern is accentuated by the fact that contracts negotiated under the load retention rate as proposed will not be open for scrutiny by parties other than the Board, NSPI and the customer in question.

The issue is not whether contracts voluntarily negotiated at arm's length between sophisticated entities of equivalent bargaining power are anti-competitive. The charges arrived at through this process may, for the

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participants involved, approximate what would be charged in a true free market. The difficulty is that the other captive customers of the regulated monopoly NSPI do not have the opportunity to benefit from such competitive negotiations and indeed, under NSPI's proposal, would have to shoulder revenue deficits caused by the rate.

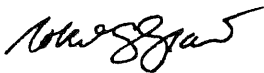
The issue is therefore whether the creation of an opportunity for Nova Scotia's largest electrical customers to negotiate freely will result in the hindrance of the development of a free market for all NSPI's customers.

While Nova Scotia's largest industrial customers may be content under the load retention rate to obligate themselves to long term contracts, this result may have the undesirable effect of removing sufficient amounts of load from the marketplace to discourage prospective electrical or other energy marketers from entering the marketplace and thereby delay the advent of a truly competitive market for all ratepayers.

We submit that the exceptional features of the load retention rate make it clear that it is at best a transitional rate to be utilized only pending the initiation of electrical competition. We submit that the Board should prevent contracts under the rate from extending beyond the point at which customer choice is available in the electricity market. This measure will prevent the load retention rate from being used as an instrument to delay or hinder the implementation of customer choice in Nova Scotia.

All of which is respectfully submitted.

Yours truly,



Robert G. Grant

RGG/sd

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