



**Department of
Natural Resources**

Office of the Minister

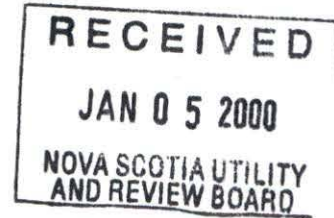
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December 21, 1999



Mr. John Morash, F.C.A.
Chair
Nova Scotia Utility and Review Board
P.O. Box 1692
Postal Unit "M"
Halifax, Nova Scotia B3J 3S3

Dear Mr. Morash:

I have recently received notification from Nova Scotia Power Inc. respecting their application for a Load Retention Rate. My Department has responsibility for the development of energy policy, including policy directed at electricity supply and demand.

As North America utilities move toward a restructured future in electricity markets, any change in rate structure should be consistent with a long term view of the evolving market reality. In addition, the introduction of natural gas to the Nova Scotia energy marketplace may impact on how electricity is generated, distributed and priced.

This is an important matter with a number of significant issues that need to be addressed:

- The long term impact on rates of other customers of the utility resulting from a reduction in a large consumers rate.
- The appropriate sharing of revenue reductions, resulting from load retention rates, between the utility shareholders and other captive customers.
- The need for load retention rates in a restructured, competitive marketplace.
- The consideration of alternatives to load retention rates, including the recovery of stranded assets from exit charges or other mechanisms for customers going to self generation.



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I have three general concerns about the application by Nova Scotia Power Inc. and the manner in which the board has chosen to address it. Firstly, I believe there should be adequate notice provided for interested parties to prepare a response to the application.

Secondly, I believe the board should provide sufficient time to hear the views of interested stakeholders.

Finally, I believe the board should review the application with a view as to how its decision will affect future consideration of issues related to a competitive and restructured electricity marketplace.

Those people who will be affected clearly should be given enough time to properly consider and address this issue; therefore, I urge you to provide adequate notice and to leave sufficient time to fully consider their concerns.

Specifically, I ask the board to reconsider its approach to this application and 1) provide additional time for stakeholders to file a notice of intention to appear at a hearing, to file evidence in response to the application and to prepare a presentation for the hearing; 2) provide ample time for stakeholders views to be heard at the hearing; and 3) ensure any decision on the application be taken in context of larger issues surrounding a competitive and restructured electricity market.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Ernest L. Fage".

Ernest L. Fage
Minister

cc: Honourable Michael Baker
Honourable Gordon Balser
Mr. David Mann