

- Q. Please identify in detail the "substantially higher competitive risks and less regulatory protection" faced by Nova Scotia Power, referred to at p. 12, lines 17 through 21.
- A. **Nova Scotia Power (NSP) operates as a fully integrated electric utility with substantial investments in both electricity generation capacity and transmission facilities. In addition, NSP operates within an area which can be interconnected with other electricity grids beyond that of its regulated market area. Furthermore, NSP operates in a market in which its major customers have ready access to alternative energy sources such as natural gas and oil. As a consequence, NSP faces competitive risks which are substantially greater than those of Newfoundland Power. As an integrated electric utility, NSP cannot have the same degree of regulatory protection as that provided Newfoundland Power as the sole provider of (essentially) transmission and distribution services.**