

- 1 **Q. Would Mr. Coyne accept the basic justification for regulating utilities is that they**
2 **are natural monopolies and would otherwise charge unjust and un-reasonable rates**
3 **so that regulation is a surrogate for competition and further that many competitive**
4 **firms do not have “favourable” credit ratings?**
5
- 6 A. Mr. Coyne agrees that regulation is intended to serve as a substitute or surrogate for
7 competition in markets that are not competitive, such as regulated public utilities, which
8 are generally considered to be natural monopolies. Mr. Coyne has not reviewed the
9 credit ratings for competitive firms as part of his return on equity analysis for
10 Newfoundland Power, but he would generally agree that corporate issuers have a broader
11 range of credit ratings than regulated utilities, with many in the sub-investment grade
12 category.