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# **Nova Scotia Utility and Review Board**

**IN THE MATTER OF**

*The Maritime Link Act, S.N.S 2012 c.9  
and the  
Maritime Link Cost Recovery Process Regulation, N.S. Reg. 189/2012*

## **NSPML Quarterly Report Q4 2014**

**December 15, 2014**

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1 **1.0 INTRODUCTION**

2  
3 This is the Q4 2014 quarterly report for the Maritime Link as directed by the UARB.

4  
5 In its Decision dated July 22<sup>nd</sup>, 2013, the Board agreed with Enerco's reporting  
6 recommendations, and directed as follows:

7  
8 [405] Enerco, in Undertaking U-31, recommended filing of  
9 various reports by NSPML during the design and construction  
10 phase of the ML Project. The Board has reviewed Enerco's  
11 recommendations and generally agrees that given the size of the  
12 ML Project and that the final engineering design and tender  
13 awards are not completed, it is appropriate for NSPML to  
14 provide regular reports to the Board.

15  
16 On November 8, 2013, the UARB filed a Memorandum confirming NSPML's intent  
17 to provide regular reporting updates.

18  
19 Additionally, the UARB ordered the following in its Supplemental Decision:

20  
21 [115]....detailed reports must be filed by NSPML on a semi-  
22 annual basis, on June 15 and December 15 each year. The reports  
23 shall commence December 15, 2013. Updated status reports must  
24 be filed quarterly.

1 **2.0 UPDATE OF PROJECT SCHEDULE WITH VARIANCE EXPLANATION**

2

3 As per Enerco U-31, sections 1.1, 1.2, and 1.3, this section provides an update on the  
4 Level 1 Project Schedule, along with a variance explanation and general status  
5 updates.

6

7 Please refer to Attachment 1 for the Level 1 Project Schedule and Attachment 2 for  
8 the detailed Project Schedule.

9

10 **2.1 Gates and Milestones**

11

12 The project is following a Decision Gate methodology and achieved Decision Gate 3  
13 (DG3) approval, the authority to move to construction, in May, 2014. The next  
14 Decision (DG4), commission and commencement of operations, is scheduled for Q4,  
15 2017.

16

17 In the previous report, it was noted that the ABB contract was executed in June, 2014  
18 for the design, construction and commissioning of the converters and substations. The  
19 contract initiation, planning and engineering work were the focus in this period.

20

21 The next significant milestone will be the finalization of the Transmission Line  
22 Construction contract which is scheduled for Q1, 2015.

23

24 **2.2 Commercial Activities**

25

26 The key major procurement activities are presented in Table 1 with an update of the  
27 status for each initiative:

1 **Table 1**

<b>Commercial Activity</b>	<b>Status in October, 2014</b>	<b>Initiative Number</b>	<b>Status in December, 2014</b>
HVDC Submarine Cable Supply and Installation	Contract awarded January 30, 2014. Closed	E11-88	No Change
Converter stations, switchyards and related structures (“converters and structures”)	Contract awarded June, 2014 with ABB Inc.	E12-74	No Change
Right of Way Clearing along Transmission Lines	Contracts awarded February, 2014. Closed	E13-88	No Change
Transmission Structures and Grillages	Final contract awarded on September 20, 2014 to Kalpataru Power Transmission Ltd. for design and delivery of Structures and Grillages.	E13-85	No Change
Site Preparation Services (Includes construction of access road upgrades)	Contract awarded to Joneljim Concrete Construction (1994) Ltd. for NS Site Preparation Services on September 19, 2014.  Contract awarded to Marine Contractors Inc., MCI Limited Partnership for NL Site Preparation Services on September 25, 2014.	E13-92	No Change

2

<b>Commercial Activity</b>	<b>Status in October, 2014</b>	<b>Initiative Number</b>	<b>Status in December, 2014</b>
Transmission Line Construction	Evaluations advanced during the period. Contract award scheduled for Q4, 2014.	E13-95	Previously scheduled for Q4, 2014. Evaluations of proposals are advancing; however, contract now expected to be finalized early in Q1, 2015.
Transmission Line Conductors	Evaluations in progress. Scheduled to award contract in Q4, 2014.  Evaluations in progress for the supply of OPGW conductor. The award is scheduled to occur in Q4 2014.	E13-87	The first part of the contract is scheduled to be finalized in Q4, 2014.  The finalization of the OPGW conductor is now scheduled for Q1, 2015.
Horizontal Directional Drill (HDD) Construction Program	E13-137 now superseded by the following 3 initiatives:  E13-156 - Landfall Drilling and Casing. RFP issued and closed in September, 2014. Evaluations are in progress.	E13-137	E13-156 - Landfall Drilling and Casing - in final evaluation.

	<p>E13-157 - HDD Services. RFP in development and is scheduled to be issued in Q4 2014.</p> <p>E13-158 - Marine Intervention Services. RFP under development and scheduled to be issued in Q4 2014.</p>		<p>E13-157 - HDD Services - RFP to be issued early in Q1 2015.</p> <p>E13-158 – Marine Intervention Services – RFP to be issued early in Q1 2015.</p>
Accommodations	<p>Evaluations in progress and Contract award scheduled for Q4 2014, for supply and install of facilities.</p>	E13-89	<p>This initiative is separated into two contracts:</p> <p>E13-89 B Accommodations Construction was awarded October 29, 2014.</p> <p>Accommodations Operations, remains scheduled to be awarded before year end.</p>

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**2.2.1 Land Access Agreements**

In Nova Scotia, NSPML continued to finalize land control agreements and to complete the expropriation processes that were necessary to meet the project schedule. NSPML is in the process of finalizing fair market value compensation for the remaining expropriated easements. NSPML is also pursuing access trails that were identified by the right of way clearing contractor during this period which will facilitate right of way clearing, construction, and line maintenance activities.

In Newfoundland, NSPML is pursuing access trails that were identified by the right of way clearing contractor during this period and which will facilitate right of way clearing, construction and line maintenance activities.

1 Work to achieve agreements with remaining land owners continues to be a priority; all  
2 DC Line and Grounding Line land rights are anticipated to be secured by year-end in  
3 both provinces with formal agreement finalization and some compensation matters  
4 remaining to be resolved in early 2015. Rights associated with Access Trails are  
5 anticipated to continue to be pursued into 2015 as necessary.

6  
7 **2.2.2 Funding**

8  
9 Pursuant to subsection 7.3.2 and Section 11.3 of the ML Credit Agreement, regarding  
10 the months of October and November 2014, NSPML submitted Maritime Link  
11 Construction Reports for the Independent Engineer's (IE) review. The IE reviews  
12 technical aspects of the project, including engineering, construction and other required  
13 due diligence to confirm that project execution plans are commercially reasonable,  
14 progressing in a satisfactory manner in accordance with the terms of the applicable  
15 Material Project Documents of the ML Credit Agreement and consistent with Good  
16 Utility Practice. When NSPML makes a Draw Request to request funds and the IE is  
17 satisfied that the aforementioned requirements are met successfully, a Draw  
18 Confirmation Certificate is submitted to the Government of Canada to permit the draw  
19 against funding. The IE confirmation of these reviews and progress are then provided  
20 in the IE Draw Confirmation Certificate (see Attachment 3 for October and  
21 November's Draw Confirmation Certificates) which permits all payments to Material  
22 Project Participants to be paid with the proceeds of the ML Construction Loan under  
23 the payment terms of the Material Project Documents and the ML Credit Agreement.

24  
25 Funding and Drawdown Requests were submitted to the Collateral Agent and  
26 Government of Canada during this period as necessary and all requested funds were  
27 received on schedule. Some costs during the period were paid using funds on hand  
28 prior to the FLG financing proceeds being secured.

29  
30 The corporate structure in place, as outlined in Attachment 4, was required to secure  
31 the full benefit of the Federal Loan Guarantee for the benefit of Nova Scotia  
32 customers. This structure, which was used by both NSPML as well as Nalcor, was



1 developed by both companies' legal advisors and approved by the Government of  
2 Canada. The goal was to achieve full credit substitution with the Government of  
3 Canada and thus maximize the benefit of the guarantee provided by the Government of  
4 Canada and minimize the borrowing cost for customers. This structure enabled both  
5 Standard & Poors and DBRS rating agencies to provide a AAA rating. Both rating  
6 agency reports, which provide further information on this structure, are found in  
7 Attachments 5 and 6. The AAA rating and the structure contributed to the resulting  
8 3.50 percent coupon interest rate.

9  
10 The economic justification for the upfront amortizing bond structure is risk  
11 management: maximizing cost certainty and minimizing execution risk.

12  
13 The major Canadian banks involved in the financing process recommended, during  
14 meetings with NSPML and the Government of Canada, minimizing interest rate and  
15 market execution risk. Securing the full \$1.3 billion of bond financing in a single  
16 financing transaction as opposed to raising funds in tranches during the construction  
17 period achieved the goals of maximizing interest rate certainty and minimizing debt  
18 execution risk. This decision locked in the coupon interest rate of 3.50 percent and  
19 ensured NSPML raised the required financing.

20  
21 Raising the total debt at the start of construction reduced the risk to customers of  
22 potential rising interest rates as the project progressed. Issuing debt in tranches during  
23 the construction period would not have provided the same level of certainty since this  
24 approach would not have locked in the full coupon interest rate due to an inability to  
25 fully hedge the related spread to the underlying Government of Canada bond rate.  
26 Further, debt financing issuance costs would not have been fully known and NSPML  
27 would have been exposed to possible execution risk in future debt issuances. Raising  
28 the full amount of financing upfront as an amortizing bond resulted in NSPML raising  
29 the debt at a time when interest rates were experiencing historical lows. A similar  
30 approach was taken by Nalcor in respect of its larger debt issuance in December 2013,  
31 providing market evidence of the ability to finance the full amount of the Maritime  
32 Link financing in the spring of 2014 with rate certainty. This financing is not expected

1 to result in increased costs to customers as compared to applying the approach taken in  
2 NSPML’s original filing to the circumstances at the time of the decision.

3  
4 Hedging the underlying Government of Canada base interest rate in February 2014 in  
5 advance of the issuance of the debt in April, contributed to interest rate certainty. The  
6 cost of hedging this financing, and thereby ensuring stability for customers with  
7 respect to financing costs, was \$36.3 million.

8  
9 An additional \$11 million has been incurred to date to secure the \$1.3 billion  
10 financing. These costs are as follows:

11

Bond Commission fee	\$4.6 million
Rating Agencies fees	\$1.3 million
Legal, Independent Engineer, Independent Insurance Advisor and other Professional advisory fees	\$5.1 million

12  
13 The last category of costs is expected to continue during the project construction  
14 period. NSPML forecasts that the cost of these independent professional services will  
15 total an additional \$7 to \$10 million between now and the end of the project’s  
16 construction period.

17  
18 **2.2.3 Joint Development Agreements**

19  
20 The original agreements were completed and signed on July 30, 2012.

21  
22 As reported in the October 2014 Quarterly Report, Emera, Nalcor and NS Power  
23 executed Amended and Restated Formal Agreements and related agreements on July  
24 31, 2014.

25 In its letter of October 24, 2014, the UARB requested an update on the status of the  
26 true ups anticipated in the ML Application. There has been no change from what was

1 reported in the December, 2013 Quarterly Report. The 20 For 20 True Up calculation  
2 has not resulted in a payment by either party, and will be determined 30 days after the  
3 final actual Maritime Link costs are calculated, pursuant to Section 2.5 of the  
4 Amended and Restated Joint Development Agreement. Any change in the cost of the  
5 Nalcor lead projects do not affect Nova Scotia customers.

6  
7 The Energy Access Agreement Term Sheet approved by the UARB as part of  
8 NSPML's Compliance Filing anticipated a Definitive Agreement would be completed  
9 by October 1, 2014. The parties have been working diligently and constructively to  
10 meet this timeline. The agreement is now expected to be complete in Q1, 2015.

### 11 12 **2.3 Engineering Activities**

13  
14 Commissioning of the Maritime Link continues to align with the in-service Decision  
15 Gate 4 (DG4) target date of October 1, 2017. Engineering is captured in three main  
16 categories across several Work Breakdown Structures ("WBS's"):

- 17  
18 • HVDC Submarine Cable Supply and Installation – cable design and  
19 manufacture is being engineered by the supplier of the cable, Nexans, which  
20 will include performance criteria consistent with service life and reliability  
21 targets subject to approval by NSPML. In this period, Nexans engineering  
22 activities progressed on schedule covering Cable Design, Marine Installation,  
23 Land Cable and Fibre Optic requirements.
- 24  
25 • The horizontal directional drilled (HDD) bore trajectories are being designed  
26 under a separate engineering initiative (E12-51), with work underway to select  
27 exit locations and hydraulic fracture calculations for bore alignment. The HDD  
28 specification document has been issued for review. The geotechnical drilling  
29 activities were completed as reported.
- 30  
31 • HVDC Converters and Substations - engineering is included in the contract  
32 awarded for the supply and installation of these assets. In this period, plans for

1 system integration and special protection system studies progressed as planned.  
2 Study outlines were received from ABB and a review of Station Technical  
3 design data is in progress.  
4

- 5 • Overland Transmission and Grounding Sites – Engineering design is complete  
6 for AC Transmission Line, Grounding Sites, Accommodations Facilities, and  
7 Site Development. Design for DC Transmission Lines and Grounding Lines is  
8 progressing. Design review is in progress for steel transmission line  
9 towers. Quantities of towers and grillages are finalized. DC Transmission Line  
10 design will be updated and Issued For Construction (IFC) drawings produced  
11 when all tower foundation loading details are available from the supplier.  
12

#### 13 **2.4 Submarine Cables (Marine)**

14  
15 During this reporting period, Nexans’ work progressed as planned. Engineering  
16 advanced as noted above. Other activities included preparation of the scope of 2015  
17 marine surveys and the review of the Environmental Protection Plan for the Futtsu  
18 factory and analysis of cable testing requirements.  
19

#### 20 **2.5 Horizontal Directional Drilling (HDD) Boreholes**

21  
22 The HDD boreholes in NS and NL are scheduled to be constructed in 2016, a year in  
23 advance of installation of the marine cable. The construction will be comprised of  
24 three contracts. The RFP for the Landfall Drilling and Casing Install (E13-156) was  
25 issued and closed in September 2014. Evaluations are in progress and contract award  
26 is planned for Q2/3 of 2015. The RFP’s for Drilling Services (E13-157) and for  
27 Marine Intervention Services (E13-158) are in development and are scheduled to be  
28 issued early in Q1, 2015 with contract awards scheduled for Q3 of 2015.

1 **2.6 Converter Stations**

2

3 Early planning documents continued in development. The project execution plan was  
4 developed and issued for comment. Supply chain management started a database of  
5 local suppliers who provided contact information during the supplier sessions.

6 The master deliverables register with over 300 identified documents continues to be  
7 updated. Quality, Risk, and Environment Management plans have advanced.

8 Improvements to project processes such as monthly reports and meetings, along with  
9 document transmittals are ongoing.

10

11 **2.7 Right of Way Clearing Contractor(s) – Transmission Lines**

12

13 In NL, right of way clearing activities in the period consisted of:

- 14 • Continuation of clearing along the HVDC line
- 15 • Clearing of the Cape Ray site and
- 16 • Chipping of materials from cleared blocks.

17

18 To date, approximately 30 percent of the required 1550 hectares have been cleared.

19

20 Tree Clearing in NS resumed in October and continues during this period. Work is  
21 continuing on the HVDC line and clearing has been completed on the Big Lorraine  
22 site. To date progress has met scheduled expectations.

23

24 **2.8 Construction Contractor(s) – Transmission Lines**

25

26 Transmission line construction negotiations have continued to progress, with contract  
27 finalization early in Q1, 2015. The initial planning prior to mobilization, including  
28 development of multiple plans required prior to start of work, is also expected to be  
29 started early next year.

1 **2.9 Construction Contractor(s) – Site Preparation**

2

3 Site preparation activities in NL entered into full construction in this period. In Bottom  
4 Brook, much of the tree clearing and land preparation was completed by the end of  
5 November. At Indian Head, work started at the site in October and approximately 40  
6 percent of the construction road was completed to enable equipment access.

7 Additionally, the Contractor commenced work at Granite Canal in October, where  
8 both crushing of material and tree clearing is underway.

9

10 Site preparation activities in NS were initiated with significant progress made.

11

12 **2.10 Granite Canal Accommodations Construction**

13

14 The contract for the construction of the 100 person accommodations facility at Granite  
15 Canal was awarded in November. Early planning deliverables were finalized and the  
16 construction schedule has a three phase approach, where 25 beds will be available  
17 early in Q1, 2015 with additional availability later in the year.

18

19 **2.11 Granite Canal Accommodations Operations**

20

21 The contract for the operations of the Granite Canal accommodations facility is  
22 nearing completion. Operations of the first phase of the facility is planned to start in  
23 2015 and to continue through to the completion of the transmission line.

24

25 **2.12 Construction Contractor(s) –Other**

26

27 The designs for the grounding sites, including the breakwaters in NS and NL, were  
28 completed for the RFP which was issued and closed in October. The proposals are  
29 being evaluated and construction of the grounding site marine breakwaters are  
30 scheduled to begin in 2015.

31

32 The designs of the grounding site electrical specifications are in development and will  
33 be included in the RFP scheduled to be issued in 2015.

1 **3.0 UPDATED COST SUMMARY**

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As per Enerco U-31, section 2.1, the detail below outlines the DG3 forecasted costs.

Table 2 on the following page provides an updated cost summary for the Maritime Link, which includes actual costs incurred to the end of Q3, 2014, as well as a forecast of costs for Q4, 2014 to the end of 2017. The total project forecast remains unchanged from the DG3 project capital cost estimate of \$1.577 billion.

NSPML continues to track and report all costs, actual and forecast (2011-2017), consistent with the methodologies used in the costs forecast represented in the ML Project application, for inclusion in the final approved ML Capital Cost assessment. Project costs include ML Project team fully allocated costs for executive, management, employees and contractors, and NS Power seconded employees at affiliate mark-up rates according to the Code of Conduct for Affiliate Transactions. All costs provided are in Canadian dollars. AFUDC is being tracked and recorded monthly.

1

**Table 2**

Description	Actual Costs						Total Project to Date	Q4 2014	2015			Total Project Estimate at Completion	Project Budget Q2 2014	Budget Transfer <sup>1</sup>	Current Project Budget
	2011	2012	2013	Q1 2014	Q2 2014	Q3 2014			2015	2016	2017				
				Q1 - Q4	Q1 - Q4	Q1 - Q4			Q1 - Q4	Q1 - Q4	Q1 - Q4				
Emera Internal	6,106	13,363	24,910	6,544	11,294	9,549	71,767	23,781	27,363	28,950	25,113	176,973	175,566	1,407	176,973
Nalcor Internal	-	-	-	-	8,380	-	8,380	52	172	154	62	8,820	8,820	-	8,820
Third Party	3,770	3,529	7,676	14,415	43,878	37,095	110,364	88,058	341,709	462,815	214,261	1,217,207	1,218,614	(1,407)	1,217,207
Environmental Approval	1,131	971	549	106	3,082	462	6,301	763	3,559	5,066	8,264	23,953	23,953	-	23,953
Cable	2,479	237	643	11,729	24,417	21,951	61,456	27,285	65,944	57,046	105,077	316,809	316,493	315	316,809
Converter Stations	-	-	1,517	761	3,806	10,767	16,851	43,452	152,495	271,574	84,214	568,587	575,533	(6,946)	568,587
Other Technical & Engineering	160	2,321	4,967	1,820	12,572	3,916	25,755	16,558	119,710	129,129	16,705	307,858	302,634	5,224	307,858
<b>Total</b>	<b>9,876</b>	<b>16,892</b>	<b>32,586</b>	<b>20,960</b>	<b>63,552</b>	<b>46,645</b>	<b>190,511</b>	<b>111,890</b>	<b>369,244</b>	<b>491,919</b>	<b>239,436</b>	<b>1,403,000</b>	<b>1,403,000</b>	<b>-</b>	<b>1,403,000</b>
Escalation Contingency	-	-	-	-	-	-	-	273	10,144	17,102	7,834	35,354	35,354	-	35,354
	-	-	-	-	-	-	-	-	13,863	45,049	80,088	139,000	139,000	-	139,000
<b>Grand Total</b>	<b>9,876</b>	<b>16,892</b>	<b>32,586</b>	<b>20,960</b>	<b>63,552</b>	<b>46,645</b>	<b>190,511</b>	<b>112,164</b>	<b>393,251</b>	<b>554,070</b>	<b>327,358</b>	<b>1,577,354</b>	<b>1,577,354</b>	<b>-</b>	<b>1,577,354</b>

2

3

Note 1:

4

The following are budget transfers as indicated in the above table with no impact on the total project costs forecasted.

5

6

a) Transfers of funds to “Emera Internal” (NSPML) budget accounts were required to support land acquisition and associated services costs. Those funds were transferred from various “Third Party” budget accounts.

7

8

9

b) Transfers of funds to the Cable budget were required for engineering, survey, temporary services for the land based marine assets.

10

11

c) Transfers of funds from the Converter budget were required for the services in the “Other Technical and Engineering” budget. The transfer was required to more accurately categorize funds for engineering and temporary services. The budget was originally in the Converter Station category and has now been shifted to Other Technical and Engineering.

12

13

14

15

16

### **Total Actual Project Costs to end of Q3 2014 Compared to Forecast**

17

18

The variance of total actual project costs versus forecasted costs for Q3, 2014 compared to that forecasted as of Q2 in the NSPML Quarterly Report of October 15, 2014 is a total lower cost of \$42.4 million. The major variances between the last forecast and actual costs incurred are:

19

20

21

22

23

24

Emera Internal: \$19.0 million lower cost incurrence in this period.

25

26

- The insurance program cost previously forecasted in Q3 2014 has taken place in Q4 2014.

27

28

- Remaining variance is in internal costs and is attributable to several factors:



- 1           ○ Timing of land access activities.
- 2           ○ Lower spending on general and administration expenses resulting from
- 3           labour, legal and consulting.

4

5           Third Party Costs: \$23.3 million lower cost incurrence this period.

- 6           • Environmental Approval: \$0.1 million lower cost incurrence
- 7           ○ As referenced in the previous quarterly report, variance due to revised
- 8           permitting requirements and timing of stakeholder engagement activities.

9

- 10          • Cable: \$0.3 million higher cost incurrence
- 11          ○ Timing of horizontal directional drilling geotechnical and design
- 12          activities.

13

- 14          • Converter Stations: \$15.3 million lower cost incurrence
- 15          ○ Updating timing of the Site Preparation activities from Q3 to Q4, 2014/Q1
- 16          2015
- 17          ○ Reschedule of the early planning and engineering activities for the
- 18          Converter / Substations Supply contract.

19

- 20          • Other Technical & Engineering: \$8.2 million lower cost incurrence attributable
- 21          to timing of delivery of structures and grillages, accommodations construction
- 22          and right of way clearing activities.

23

24           These variances do not change the expectation that the Project remains on time and

25           within budget.

1 **4.0 COST FLOW**

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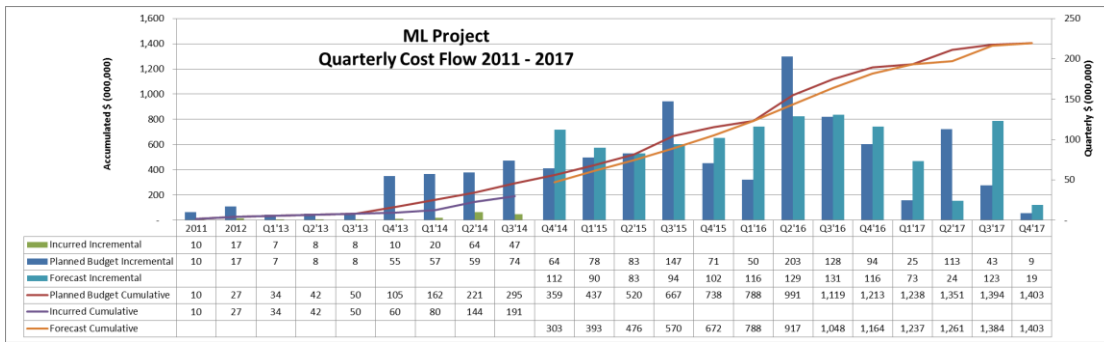
7

8

As per Enerco U-31, section 2.2, please refer to Table 3 below for the cost flow until the Maritime Link is commissioned. This cost flow provides a base capital spending forecast of \$1.403 billion. Escalation and contingency in the amount of \$174 million will be allocated to appropriate accounts if and when necessary to account for expenditures associated with project risks. The total of the base capital spending, escalation, and contingency amounts remains at \$1.577 billion.

9

**Table 3**



10

1    **5.0    INDEPENDENT ENGINEER**

2

3           The Independent Engineer, MWH, acting on behalf of the Government of Canada,  
4           participated in a site visit for the Maritime Link (ML) Project during October in both  
5           NS and NL. The IE was accompanied by a representative of Natural Resources  
6           Canada as well as representatives from NSPML. Please refer to Attachment 7 for a  
7           copy of the Report from the site visit.

8

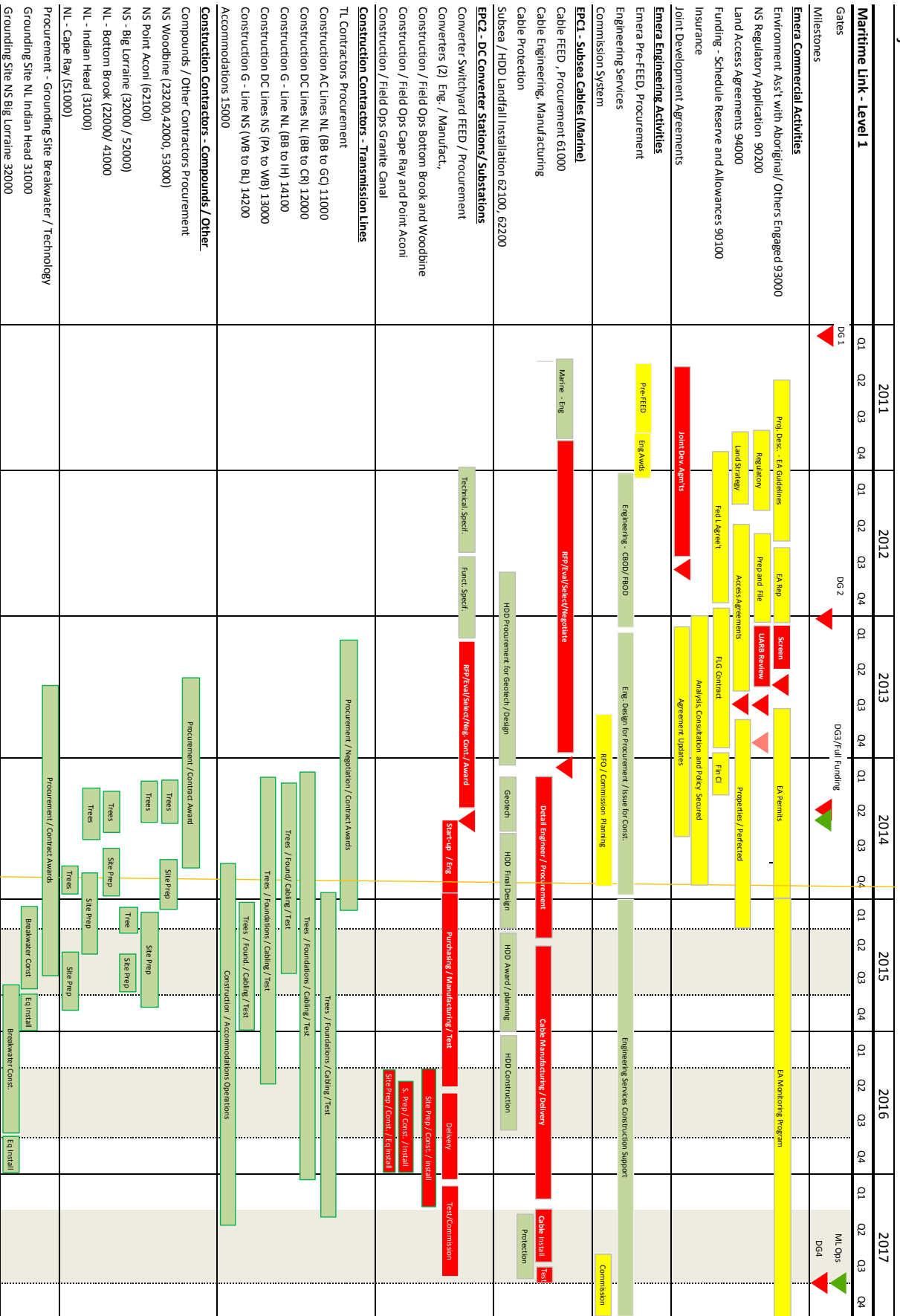
9           This trip included visits to most of the project sites starting at Point Aconi in NS and  
10          ending at Granite Canal in NL.

11

12          The IE concluded that NSPML has the Construction Management team in place and  
13          are well positioned to continue the work in 2015.

Maritime Link Project  
Level 1 Project Schedule

Project Level 1 Schedule

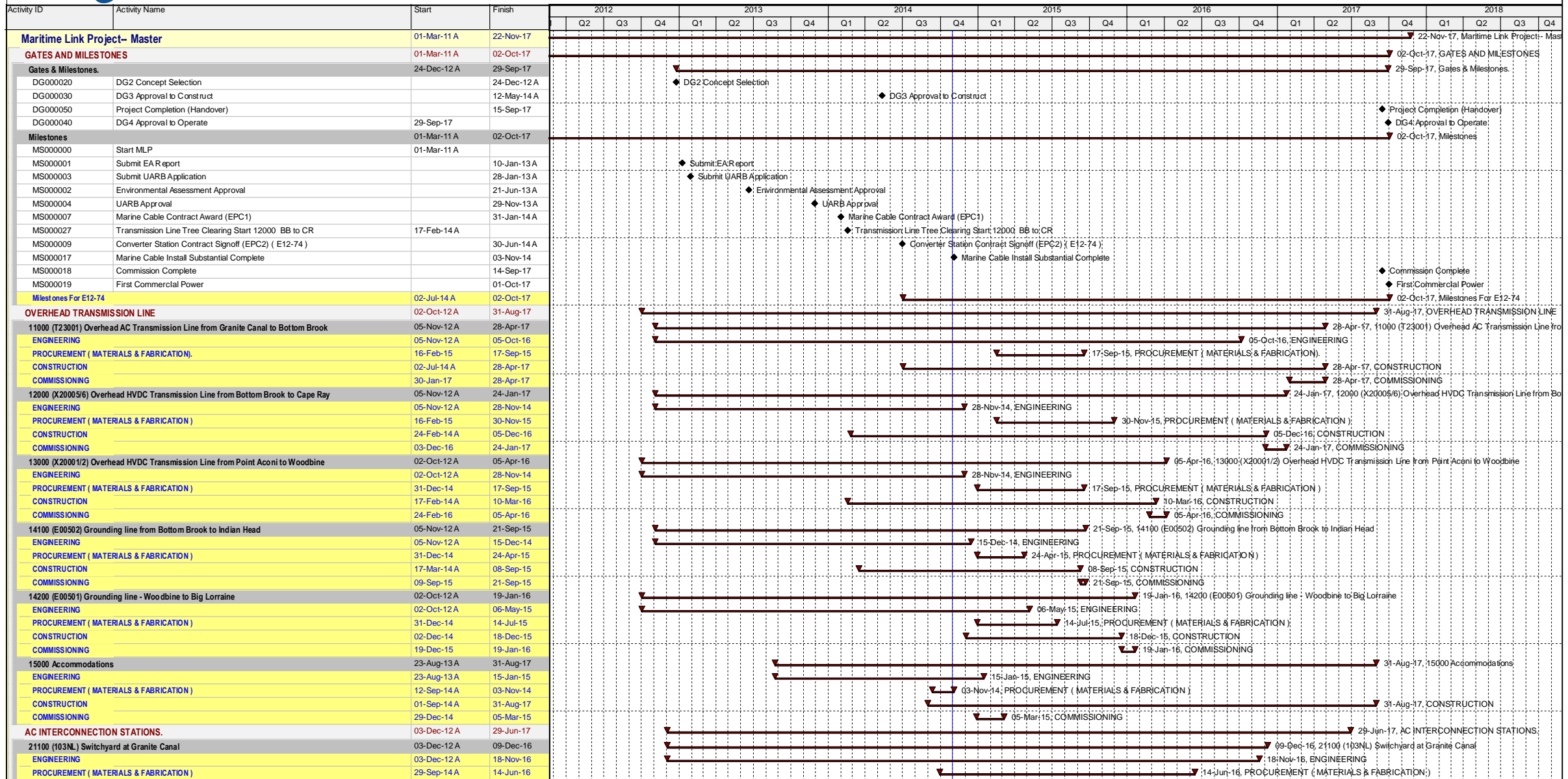


ENL Lead Activities  
 Other Lead Activities  
 Critical Path Activities  
 Milestones

Schedule Date - November 30, 2014



MARITIME LINK PROJECT - MASTER SCHEDULE



█ Remaining Level of Effort   
 █ Actual Work   
 █ Critical Remaining Work  
█ Actual Level of Effort   
 █ Remaining Work   
 ◆ Milestone

MLP Schedule For UARB Review - Prepared by: Mansoor Ahmad			
Date	Revision	Checked	Approved
12-Dec-14	MLP - Master Schedule - UARB	Bill Stapleton	Gerry Brennan



MARITIME LINK PROJECT - MASTER SCHEDULE

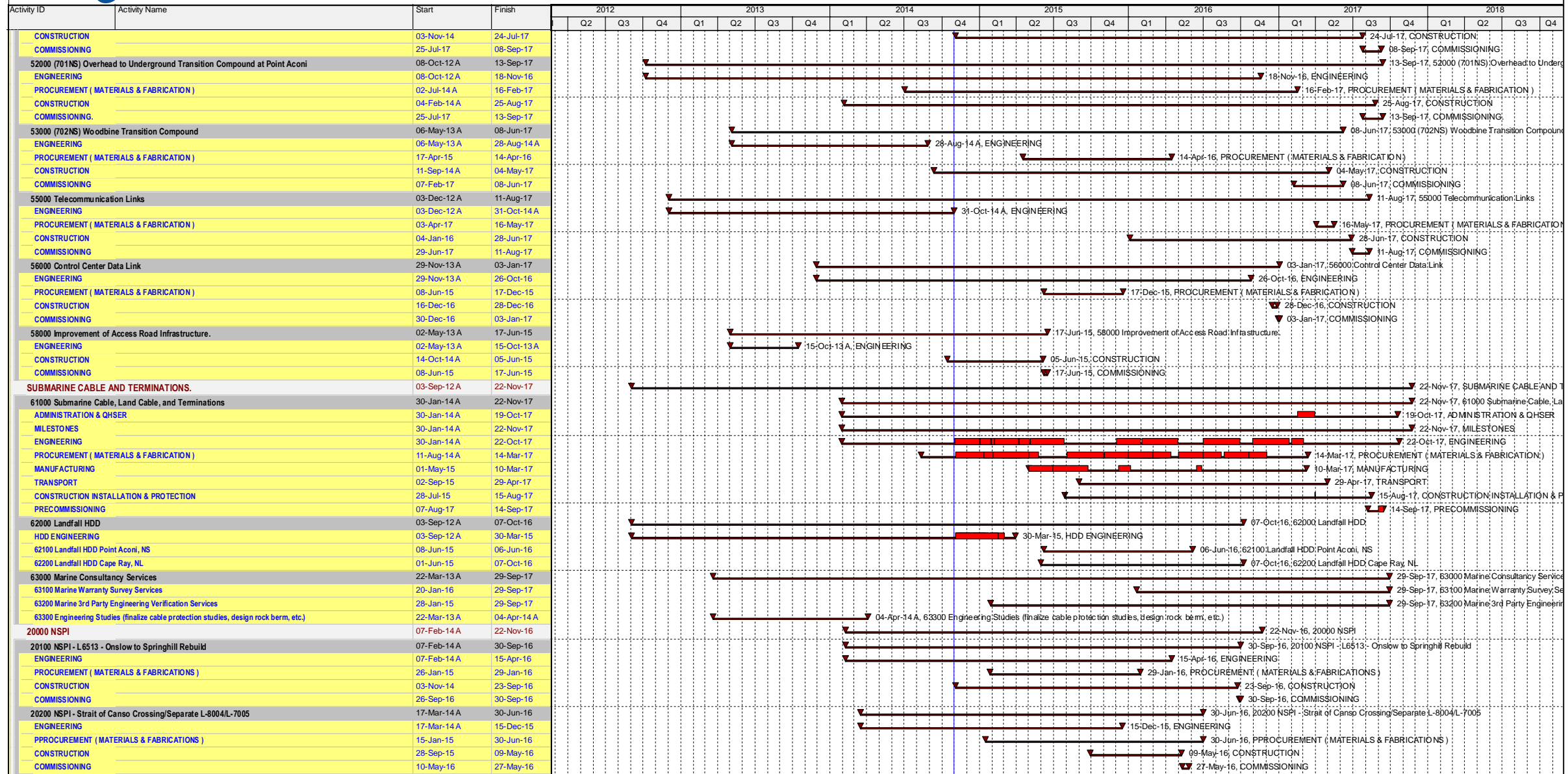
Activity ID	Activity Name	Start	Finish	2012			2013			2014			2015			2016			2017			2018		
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>CONSTRUCTION</b>																								
<b>COMMISSIONING</b>																								
21200 (102NL) Modifications for P&C Communications, Ductbanks to Existing 230 kV Substation at GC	19-May-15	04-Oct-16	09-Dec-16																					
ENGINEERING	19-Aug-16	09-Dec-16	08-Dec-16																					
PROCUREMENT ( MATERIALS & FABRICATION )	05-Aug-14 A	08-Dec-16	08-Dec-16																					
EPC2 CONSTRUCTION	29-Sep-14 A	25-Sep-15	25-Sep-15																					
COMMISSIONING	05-Aug-14 A	25-Jul-16	25-Jul-16																					
22000 (101NL) Switchyard at Bottom Brook	24-Mar-16	04-Oct-16	04-Oct-16																					
ENGINEERING	28-Sep-16	08-Dec-16	08-Dec-16																					
PROCUREMENT ( MATERIALS & FABRICATION )	03-Dec-12 A	10-Apr-17	10-Apr-17																					
CONSTRUCTION	03-Dec-12 A	25-Sep-15	25-Sep-15																					
COMMISSIONING	29-Sep-14 A	21-Oct-16	21-Oct-16																					
22100 Generator Fuel Supply	29-Sep-14 A	10-Feb-17	10-Feb-17																					
ENGINEERING	29-Sep-14 A	25-Sep-15	25-Sep-15																					
PROCUREMENT ( MATERIALS & FABRICATION )	29-Sep-14 A	28-Dec-16	28-Dec-16																					
CONSTRUCTION	29-Mar-16	14-Dec-16	14-Dec-16																					
COMMISSIONING	15-Dec-16	10-Apr-17	10-Apr-17																					
23100 (301NS) Connect 345 kV Substation at Woodbine to Converter Station, NS	17-Feb-14 A	03-Apr-17	03-Apr-17																					
ENGINEERING	29-Sep-14 A	25-Sep-15	25-Sep-15																					
PROCUREMENT ( MATERIALS & FABRICATION )	29-Sep-14 A	28-Dec-16	28-Dec-16																					
CONSTRUCTION	17-Feb-14 A	02-Feb-17	02-Feb-17																					
COMMISSIONING	12-Jan-17	03-Apr-17	03-Apr-17																					
23200 (301NS) Extension of Substation at Woodbine	03-Jan-17	29-Jun-17	29-Jun-17																					
ENGINEERING	03-Jan-17	15-Jun-17	15-Jun-17																					
COMMISSIONING	15-Jun-17	29-Jun-17	29-Jun-17																					
23300 (301NS) NSPI Control Centre Modifications	03-Jan-17	29-Jun-17	29-Jun-17																					
ENGINEERING	03-Jan-17	15-Jun-17	15-Jun-17																					
COMMISSIONING	15-Jun-17	29-Jun-17	29-Jun-17																					
23400 (301NL) NLH Control Centre Modifications	03-Jan-17	29-Jun-17	29-Jun-17																					
ENGINEERING	03-Jan-17	15-Jun-17	15-Jun-17																					
COMMISSIONING	15-Jun-17	29-Jun-17	29-Jun-17																					
<b>GROUNDING SITES ASSOCIATED WITH CONVERTER STATIONS.</b>																								
31000 (801NL) Grounding Site NL - Indian Head	06-May-13 A	29-Dec-16	29-Dec-16																					
ENGINEERING	06-May-13 A	22-Feb-16	22-Feb-16																					
PROCUREMENT ( MATERIALS & FABRICATION )	06-May-13 A	28-Nov-14	28-Nov-14																					
CONSTRUCTION	16-Jun-15	25-Nov-15	25-Nov-15																					
COMMISSIONING	06-Oct-14 A	16-Feb-16	16-Feb-16																					
32000 Grounding Site NS - Big Lorraine	11-Feb-16	22-Feb-16	22-Feb-16																					
ENGINEERING	06-May-13 A	29-Dec-16	29-Dec-16																					
PROCUREMENT ( MATERIALS & FABRICATION )	06-May-13 A	28-Nov-14	28-Nov-14																					
CONSTRUCTION	04-Jul-16	16-Sep-16	16-Sep-16																					
COMMISSIONING	15-Feb-15	01-Dec-16	01-Dec-16																					
CONVERTER STATIONS.	09-Dec-16	29-Dec-16	29-Dec-16																					
41000 (301NL) Bottom Brook Converter Station	01-Oct-12 A	08-Sep-17	08-Sep-17																					
ENGINEERING	01-Oct-12 A	23-Feb-17	23-Feb-17																					
PROCUREMENT ( MATERIALS & FABRICATION )	03-Nov-14	16-Jan-17	16-Jan-17																					
CONSTRUCTION	03-Oct-14 A	24-Jul-17	24-Jul-17																					
COMMISSIONING	25-Jul-17	08-Sep-17	08-Sep-17																					
42000 (301NS) Woodbine Converter Station	01-Oct-12 A	08-Sep-17	08-Sep-17																					
ENGINEERING	01-Oct-12 A	23-Feb-17	23-Feb-17																					
PROCUREMENT ( MATERIALS & FABRICATION )	03-Nov-14	16-Jan-17	16-Jan-17																					
CONSTRUCTION	11-Sep-14 A	23-Jun-17	23-Jun-17																					
COMMISSIONING	23-May-17	08-Sep-17	08-Sep-17																					
OVERHEAD TO UNDERGROUND TRANSITION SITES.	01-Oct-12 A	08-Sep-17	08-Sep-17																					
51000 (701NL) Overhead to Underground Transition Compound at Cape Ray	08-Oct-12 A	13-Sep-17	13-Sep-17																					
ENGINEERING	28-Jan-13 A	08-Sep-17	08-Sep-17																					
PROCUREMENT ( MATERIALS & FABRICATION )	28-Jan-13 A	18-Nov-16	18-Nov-16																					
COMMISSIONING	02-Sep-14 A	16-Jan-17	16-Jan-17																					

█ Remaining Level of Effort   
 █ Actual Work   
 █ Critical Remaining Work  
█ Actual Level of Effort   
 █ Remaining Work   
 ◆ Milestone

Date	Revision	Checked	Approved
12-Dec-14	MLP - Master Schedule - UARB	Bill Stapleton	Gerry Brennan



MARITIME LINK PROJECT - MASTER SCHEDULE

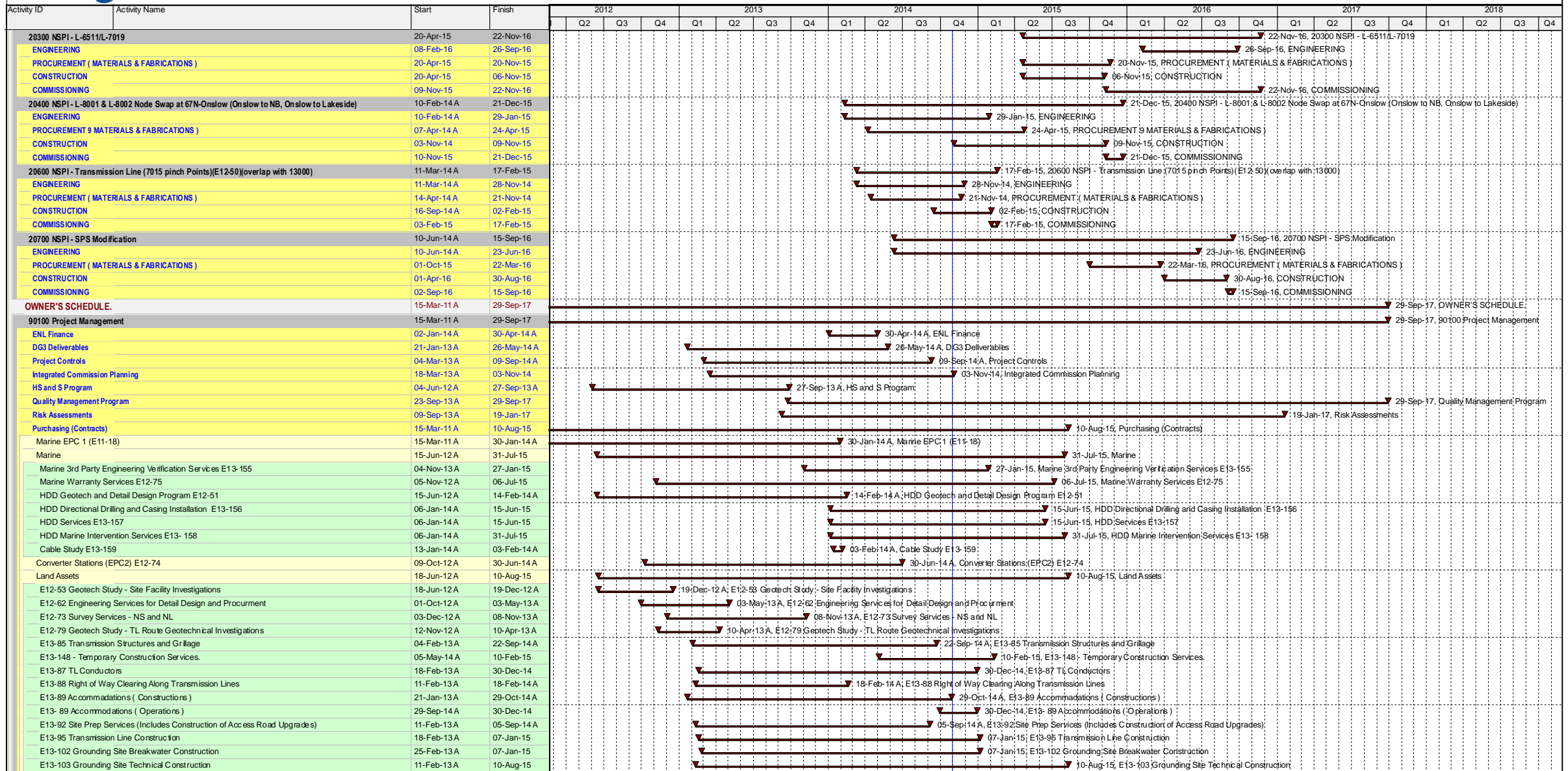


- Remaining Level of Effort
- Actual Work
- Critical Remaining Work
- Actual Level of Effort
- Remaining Work
- ◆ Milestone

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MARITIME LINK PROJECT - MASTER SCHEDULE



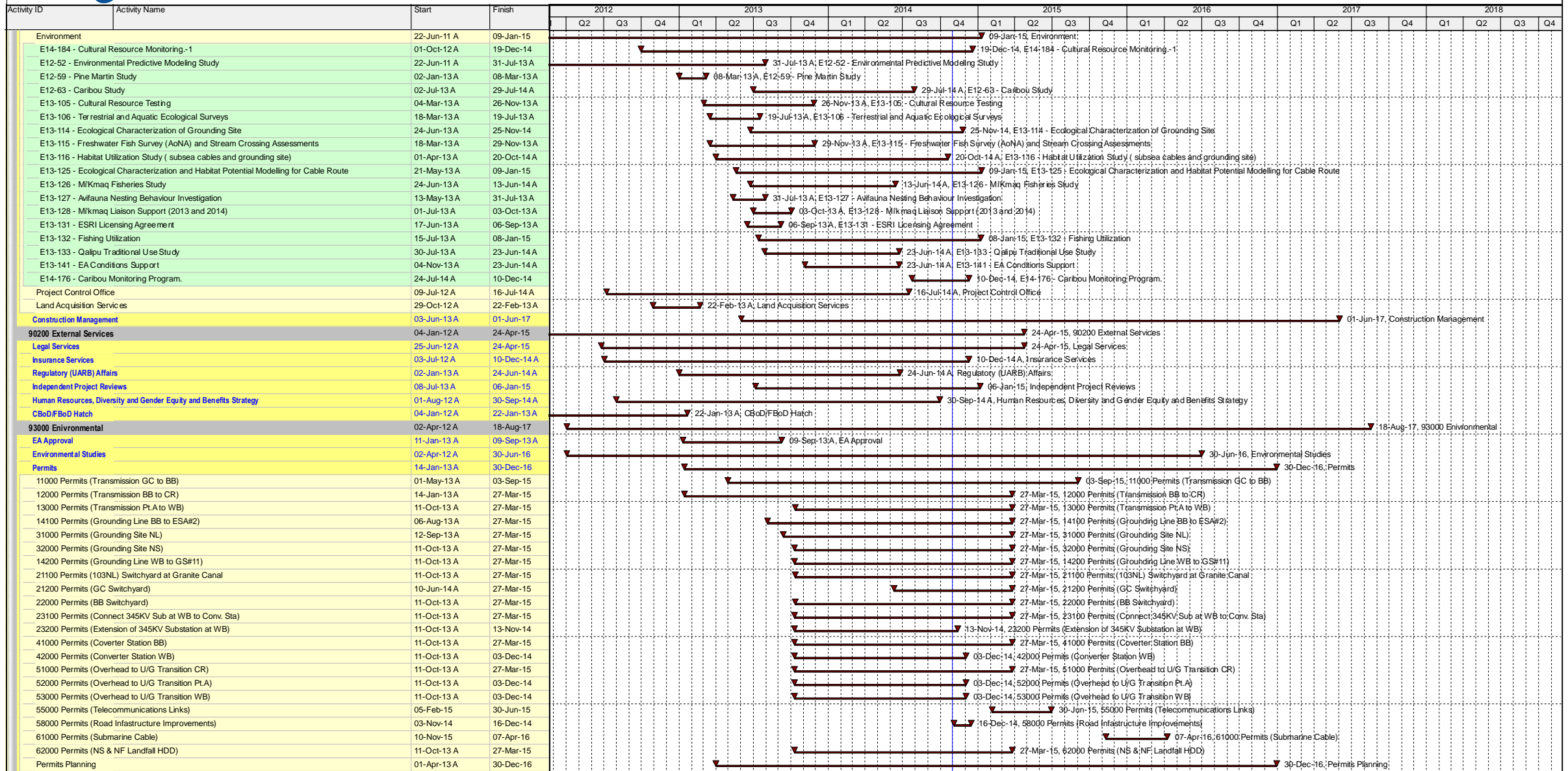
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 ■ Actual Work   
 ■ Critical Remaining Work  
■ Actual Level of Effort   
 ■ Remaining Work   
 ◆ Milestone

Date	Revision	Checked	Approved
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MARITIME LINK PROJECT - MASTER SCHEDULE



█ Remaining Level of Effort   
 █ Actual Work   
 █ Critical Remaining Work  
█ Actual Level of Effort   
 █ Remaining Work   
 ◆ Milestone

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MARITIME LINK PROJECT - MASTER SCHEDULE

Activity ID	Activity Name	Start	Finish	2012				2013				2014				2015				2016				2017				2018							
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
	Environmental Protocol Documents	01-Aug-13 A	03-Nov-14																																
	Aboriginal Relations	11-Jun-12 A	03-Nov-14																																
	Other Stakeholder Relations	28-Jan-13 A	30-Dec-16																																
	Post EA Environmental Monitoring Program	01-Jun-13 A	18-Aug-17																																
	Environmental Program 14001	31-Jan-13 A	03-Nov-14																																
	94000 Land Acquisition	15-Jul-12 A	23-Jan-15																																
	Land Acquisition Planning and Support	16-Jul-12 A	08-Jan-13 A																																
	Securing Access to NS Land	15-Jul-12 A	23-Jan-15																																
	Securing Access to NL Land	05-Nov-12 A	22-Jan-15																																
	90500 Other NLH System Upgrades	31-Aug-12 A	30-Dec-14																																
	Engineering (TL201, Bay D'Espoir, Upper Salmon)	31-Aug-12 A	23-Dec-14 A																																
	Procurement (Materials & Fabrication)	03-Nov-14	04-Nov-14																																
	Construction	04-Nov-14	05-Nov-14																																
	Commissioning	02-Dec-14	30-Dec-14																																
	Dynamic Commissioning (90100)	31-Aug-17	15-Sep-17																																

█ Remaining Level of Effort   
 █ Actual Work   
 █ Critical Remaining Work  
█ Actual Level of Effort   
 █ Remaining Work   
 ◆ Milestone   
 ◆ Milestone

MLP Schedule For UARB Review - Prepared by: Mansoor Ahmad			
Date	Revision	Checked	Approved
12-Dec-14	MLP - Master Schedule - UARB	Bill Stapleton	Gerry Brennan

## SCHEDULE "Q"

### DRAW CONFIRMATION CERTIFICATE BY INDEPENDENT ENGINEER

#### ML PROJECT FINANCING

This Draw Confirmation Certificate is provided by MWH Canada, Inc. (the "Independent Engineer") to The Toronto-Dominion Bank (the "Collateral Agent") in connection with the credit agreement dated February 24, 2014, between NSP Maritime Link Incorporated (the "Borrower"), Maritime Link Financing Trust (the "Lender") and the Collateral Agent (said agreement, as same may be amended, supplemented or restated from time to time, is hereinafter referred to as the "ML Credit Agreement"). Capitalized terms used in this Draw Confirmation Certificate not defined herein shall have the meanings assigned to them in Exhibit A of the ML Credit Agreement.

The Independent Engineer has (i) discussed matters believed pertinent to this Draw Confirmation Certificate with the Borrower and any relevant Material Project Participants, (ii) made such other inquiries as we have determined appropriate and (iii) reviewed:

- (a) the Construction Report dated October 20, 2014 (the "Construction Report"); and
- (b) the Borrower's funding request dated October 27, 2014 (the "Funding Request").

On the basis of the foregoing limited review procedures and on the understanding and assumption that the factual information contained in the Construction Report and Funding Request is true, correct and complete in all material respects, the Independent Engineer makes the following statements in favour of the Collateral Agent and to the best of its knowledge, information and belief, as of the date hereof that:

1. Construction of the Project is progressing in a satisfactory manner and in accordance with the terms of the applicable Material Project Documents with the following exceptions:

NO EXCEPTIONS NOTED

2. All payments to the Material Project Participants to be paid with the proceeds of the ML Construction Loan (including any payments using advances from the Working Capital Reserve Account during the period from the last Draw Confirmation Certificate to this Draw Confirmation Certificate) requested to be made pursuant to the Funding Request are allowed under the payment terms of the applicable Material Project Documents and the ML Credit Agreement as to the advance requirements of Section 7.3/7.5, as applicable, with the following exceptions:

NO EXCEPTIONS NOTED

3. Assuming the Borrower exercises proper engineering and construction management throughout the remainder of the Project, we have no reason to believe that the Commissioning Date will not occur prior to the Date Certain, or that the total Project Costs will exceed [\$1,577,354,028] with the following exceptions:

NO EXCEPTIONS NOTED

This Draw Confirmation Certificate is solely for the information and assistance of the Collateral Agent, the Lender and Canada in connection with the Funding Request and shall not be used, circulated or relied upon for any other purpose or by any other party.

Dated: October 29, 2014

**MWH CANADA, INC.**

By:  \_\_\_\_\_

Title: VP, RM

## SCHEDULE "Q"

### DRAW CONFIRMATION CERTIFICATE BY INDEPENDENT ENGINEER

#### ML PROJECT FINANCING

This Draw Confirmation Certificate is provided by MWH Canada, Inc. (the "Independent Engineer") to The Toronto-Dominion Bank (the "Collateral Agent") in connection with the credit agreement dated February 24, 2014, between NSP Maritime Link Incorporated (the "Borrower"), Maritime Link Financing Trust (the "Lender") and the Collateral Agent (said agreement, as same may be amended, supplemented or restated from time to time, is hereinafter referred to as the "ML Credit Agreement"). Capitalized terms used in this Draw Confirmation Certificate not defined herein shall have the meanings assigned to them in Exhibit A of the ML Credit Agreement.

The Independent Engineer has (i) discussed matters believed pertinent to this Draw Confirmation Certificate with the Borrower and any relevant Material Project Participants, (ii) made such other inquiries as we have determined appropriate and (iii) reviewed:

- (a) the Construction Report dated November 20, 2014 (the "Construction Report"); and
- (b) the Borrower's funding request dated November 20, 2014 (the "Funding Request").

On the basis of the foregoing limited review procedures and on the understanding and assumption that the factual information contained in the Construction Report and Funding Request is true, correct and complete in all material respects, the Independent Engineer makes the following statements in favour of the Collateral Agent and to the best of its knowledge, information and belief, as of the date hereof that:

1. Construction of the Project is progressing in a satisfactory manner and in accordance with the terms of the applicable Material Project Documents with the following exceptions:

NO EXCEPTIONS NOTED

2. All payments to the Material Project Participants to be paid with the proceeds of the ML Construction Loan (including any payments using advances from the Working Capital Reserve Account during the period from the last Draw Confirmation Certificate to this Draw Confirmation Certificate) requested to be made pursuant to the Funding Request are allowed under the payment terms of the applicable Material Project Documents and the ML Credit Agreement as to the advance requirements of Section 7.3/7.5, as applicable, with the following exceptions:

NO EXCEPTIONS NOTED

3. Assuming the Borrower exercises proper engineering and construction management throughout the remainder of the Project, we have no reason to believe that the Commissioning Date will not occur prior to the Date Certain, or that the total Project Costs will exceed [\$1,577,354,028] with the following exceptions:

NO EXCEPTIONS NOTED

This Draw Confirmation Certificate is solely for the information and assistance of the Collateral Agent, the Lender and Canada in connection with the Funding Request and shall not be used, circulated or relied upon for any other purpose or by any other party.

Dated: November 24, 2014

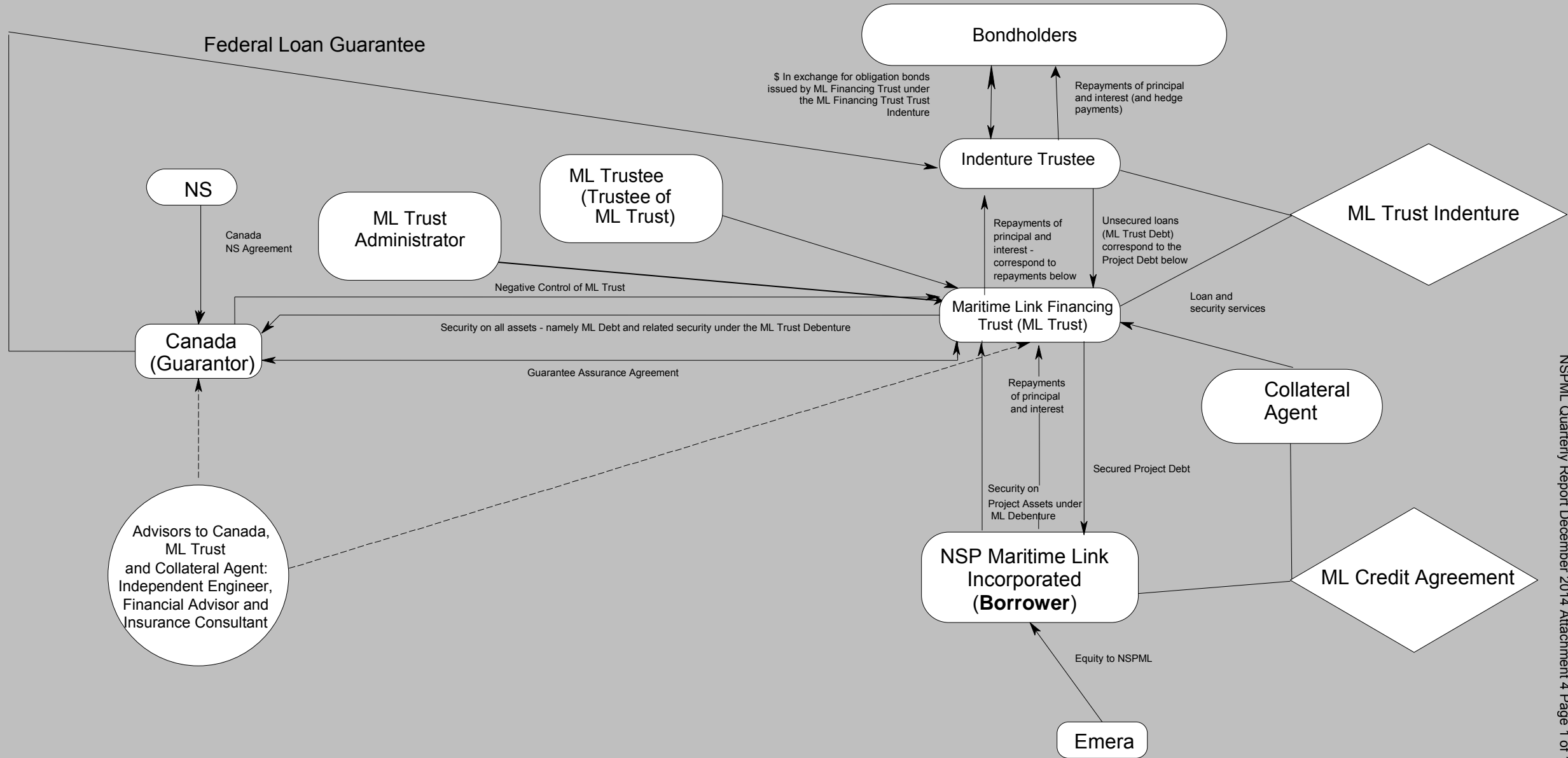
**MWH CANADA, INC.**

By: 

Title: VP, RM

**CONFIDENTIAL**

**MARITIME LINK TRANSACTION STRUCTURE <sup>A</sup>**



<sup>A</sup> Defined terms have the meanings given to them in the FLG Agreement.



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## Presale:

# Maritime Link Financing Trust

### Primary Credit Analyst:

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### Secondary Contact:

Nicole D Martin, Toronto (1) 416-507-2560; [nicole.martin@standardandpoors.com](mailto:nicole.martin@standardandpoors.com)

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**Presale:****Maritime Link Financing Trust**

This presale report is based on information as of April 11, 2014. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Final ratings will depend upon receipt and satisfactory review of all final transaction documentation, including legal opinions. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. If Standard & Poor's does not receive final documentation within a reasonable time frame, or if final documentation departs from materials reviewed, Standard & Poor's reserves the right to withdraw or revise its ratings.

**Profile**

- C\$1.3 billion bonds, series A due Dec. 1, 2052: AAA/Stable

**Transaction Description**

Maritime Link Financing Trust is issuing the senior unsecured bonds, the proceeds from which will be on-lent to NSP Maritime Link Inc. (the project company). The Government of Canada will unconditionally and irrevocably guarantee the issuer's obligations to the bondholders. The project company has been formed to develop the Maritime Link transmission assets. The Maritime Link project entails the design, construction, operation and maintenance of the Maritime Link transmission facilities, including high-voltage direct current subsea cables to Cape Breton Island, N.S., from Newfoundland.

**Rationale**

The preliminary 'AAA' rating on the senior unsecured notes reflects Standard & Poor's Ratings Services' opinion of the following factors:

- The unconditional and timely guarantee from Her Majesty the Queen in Right of Canada as represented by the Minister of Natural Resources (Canada), as per our criteria (for more information, see "Rating Sovereign-Guaranteed Debt," published April 6, 2009);
- The mechanisms in the transaction documents, whereby the fiscal agent would provide sufficient notification to Canada of an issuer nonpayment so as to ensure Canada's timely payment under the guarantee; and
- Our rating on Canada (AAA/Stable/A-1+).

**Outlook**

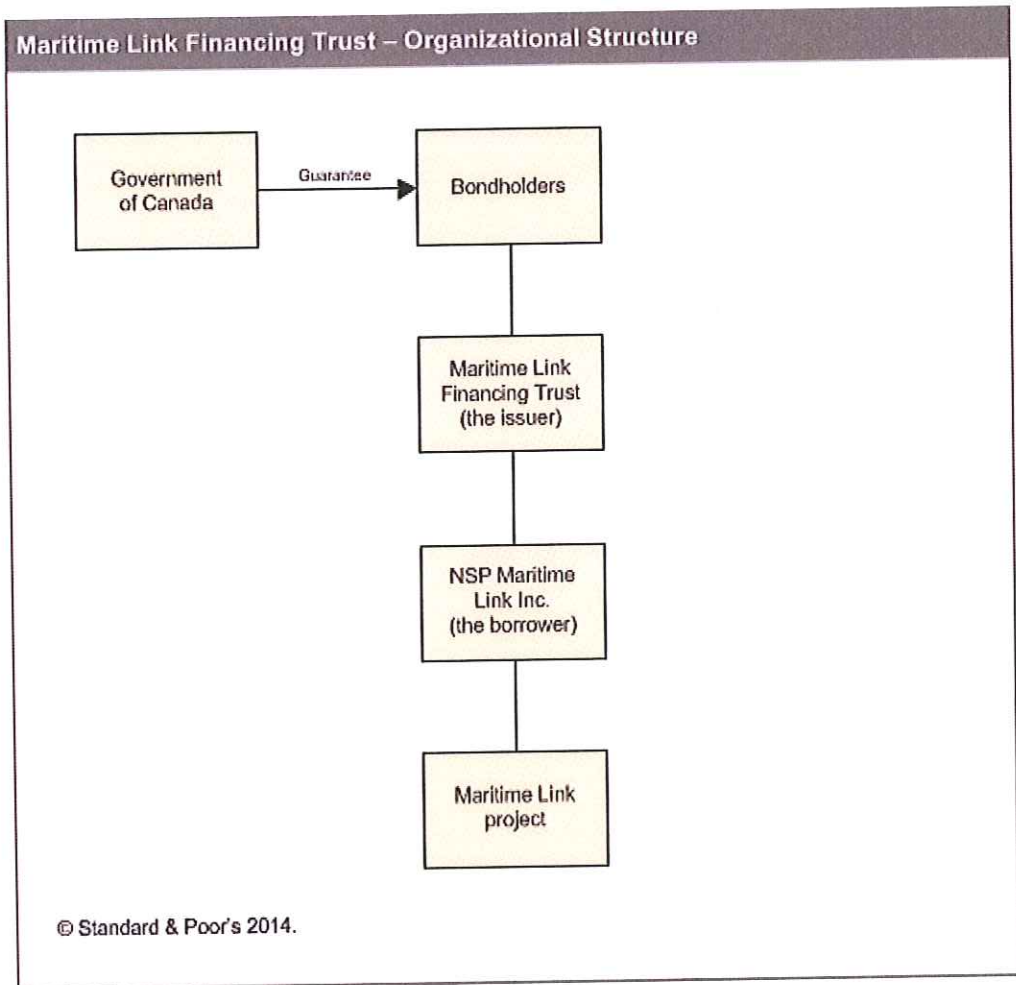
The stable outlook reflects the stable outlook on Canada. Any change in the rating or outlook on Canada will flow directly to the rating on the bonds.

## Structural Overview

Under the proposed structure, bondholders will provide financing to the issuer. The issuer will, in turn, on-lend bond proceeds to the project company, who will use the funds to construct and develop the project. Securing the funds to the project company will be the project assets it will hold.

Canada's guarantee is with respect to the obligations of the issuer to bondholders and may be drawn upon in the event of the issuer's nonpayment. Although the issuer is likely to use any money it receives from the project company to fund payments to bondholders, this is not a condition of the guarantee. In this way, bondholders are shielded from project risks in that bondholders may rely on Canada's guarantee whether the issuer pays or not and regardless whether it receives money from the project company. Canada also will have a security interest over the project assets. However, this security is independent of and not tied to the guarantee.

## Structural Diagram



## Rating Considerations

Under Standard & Poor's criteria, a guarantee is a form of credit enhancement whereby the evaluation of the primary obligor's creditworthiness shifts to that of the guarantor. For Standard & Poor's to rate an obligation on the creditworthiness of the sovereign guarantor, we evaluate a number of factors, including the potential lack of effective legal redress against a sovereign.

We believe that there are a number of important characteristics of the guarantee that leads us to conclude that the issuer's creditworthiness is shifted to that of Canada, as guarantor. Under the guarantee, Canada's obligations are irrevocable, absolute, and unconditional. In addition, the guarantee is of payment and not collection. Accordingly, bondholders are not required to exhaust any other means of recourse before calling on the guarantee. Moreover, Canada has agreed to make full payment free of all withholdings and waives its right of setoff or any other form of redress that would enable it to not make full and timely payment under the guarantee, including in bankruptcy or insolvency. In general, we do not believe that the guarantee's provisions create any circumstance under which the government might not have to service it.

In the context of a sovereign guarantee, our criteria provides that timely means within five business days of the payment due date. We believe that the guarantee's terms, in concert with the provisions of the master trust indenture, ensure that payment to bondholders comes within five business days of the payment due date. Under the indenture, if the fiscal agent has not received amounts to be paid to bondholders by 1:00 pm on the due date, it will make a payment demand to the trust and Canada without the need for further instructions or documentation. Under the guarantee's terms, within five business day of receiving the payment demand, Canada will pay to the trustee the amount claimed in the payment demand in immediately available funds. There is no conditionality to payment under the guarantee.

Under the indenture, interest payments under the bonds begin immediately. Under the guarantee, there are limited rights of amendment and the guarantee remains in force until bondholders receive all payments under the bonds. Therefore, because the guarantee is unconditional, bondholders have the benefit of the guarantee until they have been repaid in full regardless of whether the project is completed or has below-expected performance.

We understand that legal opinions have been issued on the enforceability of the guarantee against Canada. We further understand that pursuant to the provisions of the Oil Substitution and Conservation Act (Canada) and the Financial Administration Act (Canada), the country's obligations do not require additional appropriations by Parliament and entitles the trustee to recourse against Canada without further Parliament authorization. Moreover, the Consolidated Revenue Fund of Canada satisfies the obligations. Accordingly, we believe that the guarantee creates a sovereign contingent liability that, if exercised, is tantamount to sovereign debt.

## Related Criteria And Research

*Presale: Maritime Link Financing Trust*

**Related Criteria**

Rating Sovereign-Guaranteed Debt, April 6, 2009

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Insight beyond the rating.

## Maritime Link Financing Trust

### Analysts

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### The Issuer

Maritime Link Financing Trust is a single-purpose entity created to finance construction of the Maritime Link Transmission Project, a 500-megawatt electric transmission line connecting Nova Scotia with Newfoundland and Labrador across the Cabot Strait. The Bonds issued are unconditionally and irrevocably guaranteed by the Government of Canada.

### Rating

Debt	Rating	Rating Action	Trend
Guaranteed Senior Bonds	AAA	New Rating — Provisional	Stable

### Rating Rationale

DBRS has assigned a provisional rating of AAA with a Stable trend to the proposed \$1.3 billion Guaranteed Senior Bonds issue (the Bonds) of Maritime Link Financing Trust (the Issuer), the special-purpose trust established under the laws of Nova Scotia to finance construction of the Maritime Link Transmission Project (the Project). The rating is predicated on the unconditional and irrevocable loan guarantee (the Guarantee) provided by the Government of Canada (Canada; rated AAA with a Stable trend by DBRS) on the Bonds and pledge bonds issued under the trust indenture.

The Issuer is a single-purpose financing trust whose sole business is to issue the Bonds, on-lend the proceeds to a project company responsible for undertaking and operating the Project and to service the Bonds with the cash flow from the loans to the Project. The total borrowing amount includes funds necessary to service the Bonds during construction up to the commercial operation date, which is scheduled in 2017.

DBRS has reviewed the constituting documents of the Issuer and the Guarantee Agreement between Canada and the Indenture Trustee and notes that the Guarantee meets all of DBRS's requirements, allowing for the flow-through of the Government of Canada's AAA rating to the Bonds. Of note, the Guarantee constitutes an irrevocable, unconditional, absolute and continuing obligation of the Government of Canada. There is no requirement to exhaust recourse against the Issuer before being entitled to payment from Canada, all defences are waived by Canada and subrogation rights are postponed as long as guaranteed obligations are outstanding and no amendment of the Guarantee is permitted except by agreement with the Indenture Trustee. Furthermore, release of the guarantor is only permitted once all obligations are repaid in full.



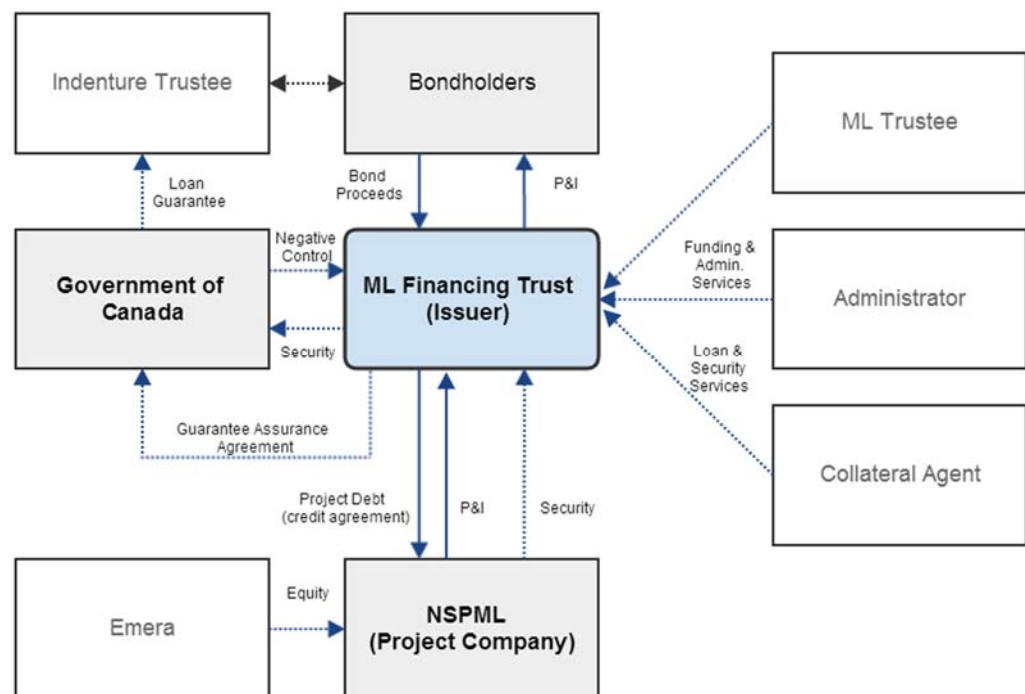
## Maritime Link Financing Trust

### Simplified Financing Structure

The Issuer, ML Financing Trust, is a single-purpose financing entity. The Issuer's sole business is to facilitate the financing of the Project. This includes, among other things, entering into the Master Trust Indenture for the benefit of bondholders, facilitating the entering into of the Guarantee Agreement between the Government of Canada and the Indenture Trustee on behalf of the bondholders, finalizing other related financing documents and issuing the Bonds. As illustrated below, proceeds will then be lent through a credit agreement to the entity undertaking the Project and holding the transmission assets, NSP Maritime Link Inc. (NSPML), which is a utility company wholly owned by Emera Newfoundland & Labrador Holdings Inc. (an affiliate of Nova Scotia Power Inc.; rated A (low) with a Stable trend by DBRS) and indirectly owned by Emera Inc. (Emera; rated BBB (high) by DBRS). DBRS notes that the borrowing amount also includes the funds necessary to service the Bonds during construction up to the start of commercial operation by 2017, after which debt servicing will be covered by the Project's cash flows.

The Issuer will also execute a Guarantee Assurance Agreement with Canada, which is meant to provide Canada with reimbursement obligations of the Issuer should Canada be required to perform under the Guarantee.

DBRS notes that the continuity of the Issuer's trust will not be affected by any vacancy in the role of the ML Trustee, that its Beneficiaries are prohibited from requiring its termination and that the ML Trustee has committed to maintaining the trust in full force so long as, among other things, any of the Bonds remain outstanding.



### Federal Loan Guarantee

Under the Guarantee Agreement, the Government of Canada (rated AAA by DBRS), as represented by the Minister of Natural Resources, guarantees the due and timely payment of all obligations of the Issuers to the bondholders as to the Bonds in accordance with the provisions of the Bonds and the respective Supplemental Indenture, Master Trust Indenture (MTI) and any applicable underlying pledge documents. Should the Issuer fail to make required payments when due, the Government of Canada is required to pay to the Indenture Trustee all amounts due within five business days of written demand, which matches the grace period on the Bonds.



## Maritime Link Financing Trust

The Guarantee is comprehensive and meets all DBRS criteria for the pass-through of the guarantor's credit rating, including the following: irrevocable, unconditional, absolute and continuing guarantee of payment; no requirement to exhaust recourse against the Issuer before being entitled to payment from the guarantor; all defences and any rights of set-off of the guarantor are waived and subrogation rights postponed as long as the guaranteed obligations are outstanding; no amendment of the guarantee is permitted except by agreement with the Indenture Trustee; and no release of the guarantor until all obligations are repaid in full. DBRS notes that there is no limit to the Guarantee.

### Master Trust Indenture

The Issuer is subject to an MTI that establishes its capital markets platform and provides a framework for the financing for the Project. The MTI limits the aggregate principal amount of the Bonds that may be issued to \$1.3 billion, each time evidenced by a supplemental indenture. Below is a summary of the key bond terms:

- **Use of proceeds:** exclusively for the purpose set out in the Declaration of Trust, namely to on-lend required funding to the Project for development, construction and commissioning costs.
- **Rank:** all outstanding bonds issued under the MTI will rank pari passu and benefit equally and rateably from the Guarantee.
- **Redemption:** permitted at the option of the Issuer if no event of default is continuing, as per the terms set out for each series in the respective Supplemental Indenture.
- **Changes to Federal Loan Guarantee:** the Indenture Trustee will not agree to any amendment or waiver of any provision of the Guarantee without a special resolution of the bondholders.
- **Positive Covenants:** these include punctual payment of interest and principal on the Bonds, maintenance of the Issuer's existence, maintenance of an operating account, payment of remuneration and expenses to fiscal agents when due.
- **Defeasance:** permitted with money or non-callable Government of Canada bonds deposited with the Indenture Trustee if, among other things, there are no adverse tax implications for the bondholders.
- **Events of Default:** failure to pay interest, principal, premium (if any) or any other amount when due under any Bond or pledge bond, and neither the Issuer nor the guarantor pays such amount within five business days of written demand. The Indenture Trustee shall deliver to bondholders any notice of event of default within three business days of receipt.

### The Maritime Link Transmission Project

The Maritime Link Project involves the design, construction, operation and maintenance of the 500-megawatt high-voltage direct current transmission line, as well as a 230 kilovolt high-voltage alternating current transmission line and associated infrastructure, between Granite Canal, Newfoundland and Labrador, and Woodbine, Nova Scotia. Key components include two 170-kilometre (km) high-voltage subsea cables across the Cabot Strait, nearly 50 km of overland transmission in Nova Scotia, nearly 300 km of overland transmission in Newfoundland, as well as related land-based equipment and infrastructure (e.g., converter stations, grounding facilities). The Project will deliver 986,000 megawatt hours annually (or about 8% to 10% of Nova Scotia's annual electricity demand) of energy generated by Nalcor Energy's Lower Churchill Project (LCP), which is expected to be operational by the end of 2017. The Project will provide Nova Scotia with a more diversified portfolio of energy options and reduce dependency on existing commercial-scale carbon-based generation facilities. It will also provide Newfoundland and Labrador greater interconnection and access to other electricity markets through a new regional loop.

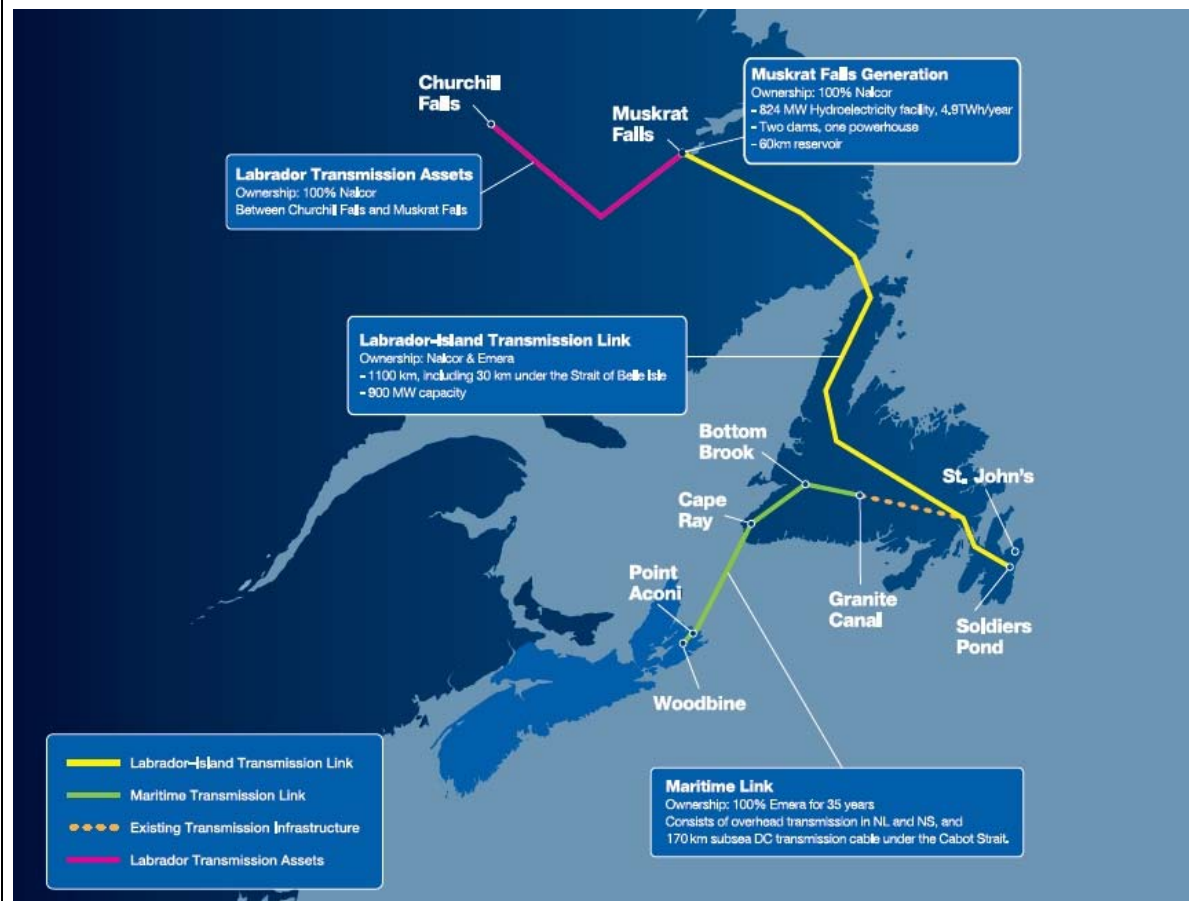




## Maritime Link Financing Trust

The Project is based on major transaction agreements with Nalcor Energy, which has committed to deliver 20% of the LCP generation in exchange for Emera's paying for, engineering, constructing, maintaining and owning the Project and the electricity transmission rights within Nova Scotia. NSPML will own the Project's assets for 35 years following the beginning of commercial operation, after which ownership will be transferred to Nalcor Energy. The project company, NSPML, was established as a utility company under Nova Scotia laws. It is regulated by the Nova Scotia Utility and Review Board (UARB) and will benefit from a regulated revenue requirement, which covers all approved operating and maintenance costs, debt service and UARB-approved return on equity. All costs "prudently incurred," as defined by UARB, will be passed through to rate payers, who will essentially be bearing volume, market and performance risks.

DBRS views the technology risk pertaining to the Project as low to medium, based on the proven equipment to be used and performance data from existing transmission assets. However, the installation of the 170-km subsea cables is not a trivial task and is not considered low risk. The fabrication and installation of the cables will be provided on a fixed-price basis. Work has started in 2014 with completion and beginning of commercial operations scheduled for 2017. The total gross budget for the Project is estimated to be \$1.58 billion.




**Maritime Link  
Financing Trust**
**Rating**

Debt	Rating	Rating Action	Trend
Guaranteed Senior Bonds	AAA	New Rating — Provisional	Stable

**Related Research**

- **DBRS Criteria: Guarantees and Other Forms of Explicit Support**, July 19, 2013.

**Notes:**

All figures are in Canadian dollars unless otherwise noted.

This report is based on information as of April 11, 2014. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.

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# LCP - ML PROJECT

## SITE VISIT REPORT OCT 28-31, 2014.

Prepared for: Natural Resources Canada and Emera

Project Manager: Nik Argirov

Date: December 10, 2014

### *Quality Assurance Statement*

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## 1. GENERAL

The MWH Independent Engineer team, together with a representative of Natural Resources Canada participated in the site visit for ML project in Nova Scotia on Oct 28, 2014 and in Newfoundland on Oct 29 and 30, 2014. Two Emera project team members accompanied the team during the entire site visit and an additional Emera team member joined on the final site visit.

IE team member:	Nik Argirov, PM, MWH Canada, Inc. Paul Hewitt, Hewitt Estimating Consultants Jamin Tao, MWH Canada, Inc.
Natural Resources Canada:	Joseph Krupski, Senior Policy Analyst
Emera team:	Lois M. Smith, Senior Director, Regulatory and Risk Ken Meade, Director, Environment & Aboriginal Affairs Brian Rendell , VP Corporate Affairs - only for the Granite Canal site visit on Oct 30'14

This trip included visits to most of the project sites starting at Point Aconi in Nova Scotia and ending at Granite Canal in Newfoundland.

## 2. NOVA SCOTIA PROJECT AREAS - OCT 28, 2014

The trip started in Sydney, NS with a visit to the Nova Scotia section of the project. This portion of the project includes approximately 46 km of HVDC transmission line from the transition compound site near Point Aconi, where the subsea cables come ashore, to the Woodbine converter station site. Associated infrastructure includes one converter station, one transition compound, one onshore cable anchoring site, one grounding site, roughly 40 kilometres of grounding line and two sections of underground cable (one kilometre each). The majority of the right of way in this section either parallels or is close to existing access roads or existing transmission right of way.

We visited the right of way (ROW) near Point Aconi where clearing work was well under way. We then traveled to Woodbine to visit the site preparation contract for the converter station. Excavation work was in progress and the contractor had begun placing granular base. At each site we were escorted by experienced construction managers from Emera. Safety was a top priority and proper protocol was carried throughout each site.

### Point Aconi substation, HDD site and Transition compound

The team arrived at Point Aconi around 8:30AM. The existing thermal generating station was in sight.



***Coal fired generating station at Point Aconi***

Site clearing for Transition Compound and HDD site was completed as shown in the picture below. HDD site will be approximately 100 to 150m to the water.



***Site clearing for HDD and Transition Compound at Point Aconi***

The picture below shows the existing 230KV transmission line from the thermal generating station. The transmission ROW will be widened by an additional 28 meters for the new overhead DC line from Point Aconi to Woodbine Converter Station.





*Existing transmission ROW to be widened at Point Aconi*

On the way to Woodbine, we visited a location where existing transmission line will be transferred from the H- frame to the neighboring steel tower so that the existing ROW can be used for a portion of the new DC line. This will reduce environmental impacts and site preparation costs.



*Transmission line being transferred to steel tower*

We also stopped at a location approximately 15km from Point Aconi to see the land clearing crew at work. A 28 m wide ROW will be added to the existing transmission ROW for the construction of the new DC line.



*Clearing & widening of the existing transmission ROW*

### **Woodbine Substation, Converter Station and Transition Compound**

Site preparation is continuing for the new Converter Station and the expanded Woodbine Substation which will be twice as big in size as the existing substation. There will be a transition ground accommodating a drainage discharge trench separating the future expanded Woodbine Substation from the Converter Station.



*Site preparation for Woodbine Station expansion and converter Station*

### **Big Lorraine Grounding Station**



Land clearing for the access road to the Grounding Station has been completed. (Pic below) The grounding line will be located in the same ROW.

The Grounding Station will be situated at far end toward right, as seen in the picture, near the water in the backdrop.



*Land clearing for access road and grounding line ROW to the grounding site*

### 3. NEWFOUNDLAND PROJECT AREAS - OCT 29-31, 2014

This site visit started on Oct 29, 2014 at Deer Lake Newfoundland with a visit to the Newfoundland section of the project. We were escorted throughout the visit by Emera's onsite safety manager. This portion of the project includes approximately 160 km of Wood H-Pole AC transmission line from Granite Canal to Bottom Brook and 142 km of steel tower transmission line from Bottom Brook to Cape Ray. The associated infrastructure will include two switchyards, one converter station, one transition compound, one onshore cable anchoring site, one grounding site, roughly 20 kilometres of grounding line, and about two kilometres of underground cable.

We started with a visit to Emera's Project Office at Stephenville for a safety orientation followed by a visit to the start of the access road under construction for the Indian Head grounding site followed by a visit to the Bottom Brook Switchyard and Converter Stations site.

#### **Indian Head Grounding Station**

The 4 km access road is under construction. We stopped at a location looking across the St. George's Bay at the tip of the rocky point where future Grounding Station will be built. (Pic below) About 900 m of the 4 km access road is constructed and the entire road is expected to be completed by the end of this year.



*Looking at the Indian Head Grounding Station site from across the bay*

### **Bottom Brook Switch Station and Converter Station**

The Bottom Brook Switchyard and Converter Stations will be situated to the east of the existing Bottom Brook Terminal Station. (Pic below). There will be a 50m transition area between the Switching Station and the Converter Station. The contractor's representative guided us around the site preparation work. Excavation and Site preparation is well under way for both Switching Station and the Converter Station. The contractor has looked at the option of importing dry engineered fill from offsite in order to mitigate the effect of the local wet fill conditions.



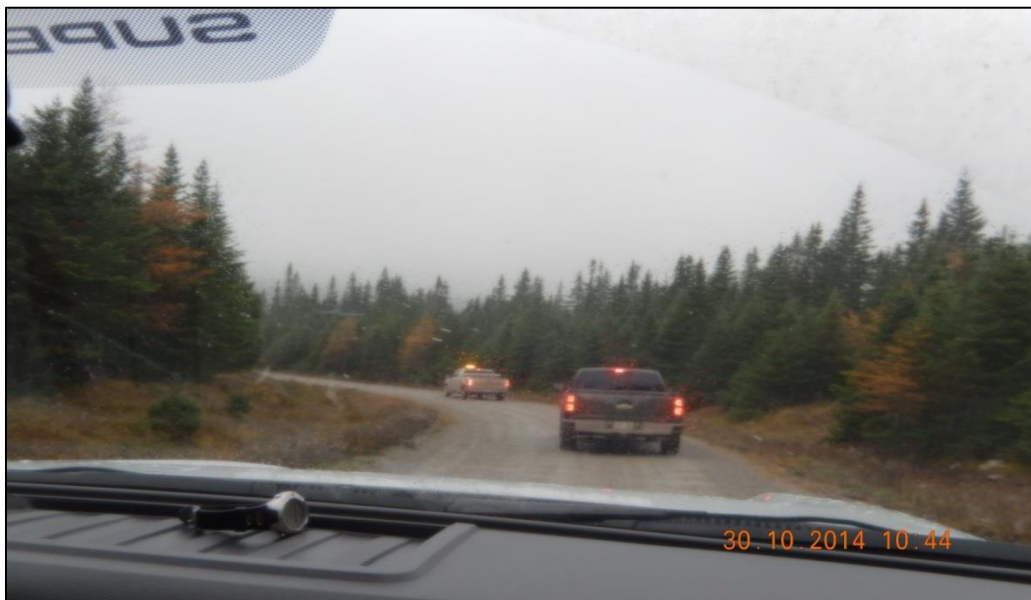
*Existing Bottom Brook Terminal Station*

### **Cape Ray HDD site and Transition Compound**

Since there was no work happening at the time, it was decided that site visit is not required on this trip.

### **Granite Canal Swich Station**

The following day, Oct 30, 2014, we traveled to the eastern terminus of the project at the Granite Canal switchyard adjacent to Nalcor's Granite Canal Hydro Site which is about 170km from the town of Grand Falls. Safety briefing and risk assessment was conducted by the Emera Safety Officer each day before the site visit. The existing road to Granite Canal was narrow and slightly bumpy. Work was under way improving access into the site. The contractor was currently mulching the brush on either side of the access road. Strict safety protocol was being followed as we traveled past the equipment. The access road contractor had also just begun mobilizing crushing equipment to manufacture road base material utilizing an existing rock stock-pile.



*On the way to Granite Canal Switch Station*

Crews are currently doing the brush cutting in several sections to improve visibility.

We also visited the location of the Switchyard and the Camp. No work was underway on those fronts.

The picture below shows the Granite Canal Terminal Station taking power from Granite Canal Generating Station.



*Existing Granite Canal Terminal Station*

The new Switch Station will be located just southwest of the existing Granite Canal Switch Station.



*Terminal Station (Bottom left of the picture)*

The new Granite Canal Switch Station will be located at bottom left of the picture.



## 4. CLOSEOUT MEETING - OCT 31, 2014

A conference call was conducted on the last morning by all the site visit participants with Rick Janega (President and CEO), Gerry Brennan (PM) and Brian Rendell (VP, Corporate Affairs) calling in. The call commenced with a brief account of the site visit proceedings in the past 3 days. The IE observed that in our opinion, no major obstacles exist in order to proceed with Converter Station construction in 2016 by ABB. IE also expressed appreciation for the site safety practices conducted by both Emera personnel as well as the contractors. We raised the question regarding the schedule of the site preparation contracts because the weather would soon close in at both converter station sites and the preparation work would have to shut down until spring. We were assured by Emera Management that the schedule allowed for completion to extend into 2015.

## 5. COMMENTS

It was evident that Emera has the Construction Management team in place and are well positioned to continue the work in earnest in 2015.