
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 Q3 2014

October 15, 2014

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1 **1.0 INTRODUCTION**

2
3 This is the Q3 2014 quarterly report for the Maritime Link as directed by the UARB.

4
5 In its Decision dated July 22nd, 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 Project Schedule.

8

9 **2.1 Gates and Milestones**

10

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

15

16 In this reporting period, a significant contracting achievement was reached with the
17 execution of the ABB contract on June 26th for the design, construction and
18 commissioning of the converters and substations. This is the largest contract within
19 this project.

20

21 **2.2 Commercial Activities**

22

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

1 **Table 1**

Commercial Activity	Status June, 2014	Initiative Number	Status in October, 2014
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”)	Negotiations nearing completion, contract award planned for Q2, 2014.	E12-74	Contract awarded June, 2014 with ABB Inc.
Right of Way Clearing along Transmission Lines	Contracts award February, 2014. Closed	E13-88	No Change.
Transmission Structures and Grillages	Negotiations nearing completion, contract award planned for Q2, 2014.	E13-85	Final contract awarded on September 20, 2014 to Kalpa-Taru Power Transmission Ltd. for design of Structures and Grillages.
Site Preparation Services (Includes construction of access road upgrades)	RFP closed in February, proponents’ evaluation in progress, contract award now planned for Q3, 2014.	E13-92	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.

2

1

Commercial Activity	Status June, 2014	Initiative Number	Status in October, 2014
Transmission Line Construction	RFP closed in April, evaluations in progress, contract award planned for Q4, 2014.	E13-95	Evaluations advanced during the period. Contract award scheduled for Q4, 2014.
Transmission Line Conductors	RFP closed March 4 th and review initiated. Contract award forecasted in Q3 2014.	E13-87	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.
Horizontal Directional Drill (HDD) Construction Program	RFP to be issued Q4, 2014 with contract award forecasted for Q2, 2015.	E13-137	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 E13-157 - HDD Services. RFP in development and is scheduled to be issued in Q4 2014. E13-158 - Marine Intervention Services. RFP under development and scheduled to be issued in Q4 2014.

Commercial Activity	Status June, 2014	Initiative Number	Status October, 2014
Accommodations	Evaluations in progress with award expected in Q3, 2014.	E13-89	Evaluations in progress and Contract award scheduled for Q4 2014, for supply and install of facilities.

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2.2.1 Land Access Agreements

In Nova Scotia, NSPML has identified the landowners along the primary HVDC transmission route from Point Aconi to Woodbine, and along the grounding line from Woodbine to Big Lorraine. In this period, agreements along both lines continued to be secured. NSPML’s application for expropriation of certain parcels along the DC Line was made on May 9, 2014, which was approved and Orders in Council granted on July 15, 2014. A second application for expropriation relating primarily to the grounding line was filed July 31, 2014 and approved with Orders in Council granted September 9, 2014. Out of more than 300 parcels on both lines, NSPML has obtained expropriation orders for 85 easements in total. NSPML is in the process of finalizing fair market value compensation for each of these 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 continued to secure private landowners’ agreements along the primary HVDC and HVAC routes. Agreements to access Crown land were previously secured. Land access agreements have also been secured on the grounding line from Bottom Brook to Indian Head. An application for expropriation of certain parcels along the DC Line that was made on June 6, 2014 was subsequently approved in respect of all requested parcels. NSPML is pursuing access trails that were

1 identified by the right of way clearing contractor during this period and which will
2 facilitate right of way clearing, construction and line maintenance activities.

3 Work to achieve agreements with remaining land owners continues to be a priority
4 with all DC Line and Grounding Line land rights forecasted to be secured by year-end
5 in both provinces. Rights associated with Access Trails are anticipated to continue to
6 be pursued into 2015 as necessary.

7
8 **2.2.2 Funding**

9
10 Pursuant to subsection 7.3.2 and Section 11.3 of the ML Credit Agreement in respect
11 of the months ending in June, July and August 2014, NSPML submitted Maritime
12 Link Construction Reports for the Independent Engineer's (IE) review. The IE
13 reviewed technical aspects of the MLP, including engineering, construction and other
14 required due diligence to confirm that Project execution plans are commercially
15 reasonable, progressing in a satisfactory manner in accordance with the terms of the
16 applicable Material Project Documents of the ML Credit Agreement and consistent
17 with Good Utility Practice. In the event that NSPML makes a Draw Request to draw
18 funds and the IE is satisfied that the aforementioned requirements are met
19 successfully, a Draw Confirmation Certificate is submitted to the Government of
20 Canada to permit the draw against funding. The IE confirmation of these reviews and
21 progress are then provided in the IE Draw Confirmation Certificate (see Attachment 2
22 for September's Draw Confirmation Certificate) which permits all payments to
23 Material Project Participants to be paid with the proceeds of the ML Construction
24 Loan under the payment terms of the Material Project Documents and the ML Credit
25 Agreement.

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

1 **2.2.3 Joint Development Agreements**

2

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

4

5 The Sanction Agreement dated December 17, 2012 between Emera and Nalcor
6 contemplated that amendments would be made to the Formal Agreements to reflect the
7 terms of the Sanction Agreement. On July 31, 2014 Emera, Nalcor and NSPI executed
8 Amended and Restated Formal Agreements and related agreements, with amendments
9 arising from the Sanction Agreement. Due to the volume of documents involved,
10 these Amended and Restated Agreements, with a brief summary of the changes, are
11 filed separately from this Report.

12

13 The Energy Access Agreement Term Sheet approved by the UARB as part of
14 NSPML's Compliance Filing anticipated a Definitive Agreement would be completed
15 by October 1, 2014. The parties have been working diligently and constructively to
16 meet this timeline. Additional time is needed and the final agreement is now expected
17 to be complete in Q4, 2014.

18

19 **2.3 Engineering Activities**

20

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

24

- 25 • HVDC Submarine Cable Supply and Installation – cable design and
26 manufacture is being engineered by the supplier of the cable, Nexans, which
27 will include performance criteria consistent with service life and reliability
28 targets subject to approval by NSPML. During this period, site visits by
29 NSPML and Nexans of the port facilities and local communities at Cape Ray
30 and Point Aconi were completed and early engineering activities were
31 advanced, including planning and preparation of early engineering

1 documentation, design premises & overall schematics, and a review of the cable
2 route for installation planning.

- 3
4 • The horizontal directional drilled (HDD) bore trajectories are being designed
5 under a separate engineering initiative (E12-51), with work underway. The
6 land-based geotechnical drilling activities for HDD design were completed in
7 May in both NL and NS, and the marine based geotechnical drilling activities
8 were completed in September for Point Aconi. The land based borehole at Cape
9 Ray and the sediment samples recovered from the first drilling campaign off NL
10 have been reviewed by Hatch. After waiting for safe weather conditions prior to
11 proceeding with the second drilling campaign, Hatch provided a
12 recommendation to attain the data required to complete the HDD design using
13 alternate methods which are not susceptible to the marine risks experienced in
14 2014. NSPML now plans to perform additional geophysical survey work, as
15 recommended by Hatch, in addition to a planned survey scheduled for summer
16 2015 by Nexans, to ensure the optimal exit location placement for the HDD at
17 Cape Ray.

- 18
19 • HVDC Converters and Substations - engineering is included in the commercial
20 initiative for the supply and installation of these assets. The contract was
21 awarded in late June and project initiation meetings were held in late August.
22 Detailed engineering of these assets is in the early stages of development.

23
24 Site preparation civil design for the converters and substation assets is being
25 completed under a separate engineering design service agreement (E12-62).
26 This design was completed and issued to the site preparation contractors in NS
27 and NL during this period.

- 28
29 • Overland Transmission and Grounding Sites - engineering is being completed
30 under the same engineering design service agreement referred to above (E12-
31 62). These designs have advanced as planned since the last report. When these
32 designs are complete (scheduled for Q4, 2014), the transmission line drawings

1 will be updated and issued for construction to the Transmission Line
2 Construction contractor(s). The final designs are dependent on the designs of
3 the steel towers and specifications for the foundation grillages. The schedule
4 was revised early in 2014 to adjust for the change in the planned award of the
5 transmission towers and grillages, due to prolonged evaluations and
6 negotiations. The steel tower and grillage design work is currently advancing
7 with the supplier. The contract for the design of the Transmission Structures and
8 Grillages was awarded in September with the tower designs advancing ahead of
9 the full notice to proceed. Design is advancing in an effort to maintain the
10 schedule for start of construction activity in 2015. The OPGW procurement is
11 advancing under a separate initiative and it is anticipated that the contract will
12 be awarded in November. Grounding site development plans are being
13 advanced with the geotechnical field work and designs completed and ready to
14 be issued for construction.

15
16 **2.4 Submarine Cables (Marine)**

17
18 During this reporting period, Nexans' work progressed as planned and it completed the
19 project planning deliverables, including achievement of Milestone 4. Those items
20 include such documents as the project execution plan, project schedule, quality
21 management plan, environmental management plan, safety management plan,
22 procurement plan, and detailed list of deliverables. Engineering advanced and
23 procurement activities are progressing as Nexans works to get subcontractors in place.
24 Nexans participated in Supplier Information Sessions from September 23 to October 2,
25 2014 in five locations throughout the region.

26
27 **2.5 Horizontal Directional Drilling (HDD) Boreholes**

28
29 The HDD boreholes in NS and NL are scheduled to be constructed in 2016, a year in
30 advance of installation of the marine cable. The construction will be comprised of
31 three contracts. The RFP for the Landfall Drilling and Casing Install (E13-156) was
32 issued and closed in September 2014. Evaluations are in progress and contract award

1 is planned for Q2/3 of 2015. The RFP's for Drilling Services (E13-157) and for
2 Marine Intervention Services (E13-158) are in development and are scheduled to be
3 issued in Q4, 2014 with contract awards scheduled for Q3 of 2015.
4

5 **2.6 Converter Stations**

6
7 Early planning documents are in development. Some of the key components include
8 the project execution plan, quality plan, risk management plan, project baseline
9 schedule, master deliverables register, safety, environment, and diversity plans. ABB
10 is staffing its project team and technical meetings have commenced to advance system
11 studies as well as the AC substation designs. ABB also participated in the Supplier
12 Information Sessions from September 23 to October 2, 2014 in five locations
13 throughout the region.
14

15 **2.7 Right of Way Clearing Contractor(s) – Transmission Lines**

16
17 Right of way clearing in NL re-commenced in early August following the end of bird
18 nesting season. Production for August consisted of brushing of first pass sections from
19 last winter, tree removal (from last winter's layover work) and chipping, and clearing
20 of new sections. A total of 61 hectares were completed on 89 sections.
21

22 NS right of way clearing re-commenced in October.
23

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

25
26 Transmission line construction negotiations are scheduled to be completed in Q4,
27 2014. The initial planning prior to mobilization is also expected to be started this year.
28 The planning will include the development of plans such as the project execution plan,
29 risk management plan, environmental management plan, safety plan, quality plan, and
30 diversity plan. Training and orientation sessions for contractor personnel will also take
31 place.

1 Mobilization of resources and commencement of construction is scheduled to begin in
2 Q1, 2015 starting with the grounding lines in NS and NL. Construction of the DC lines
3 is scheduled to begin upon delivery of the grillages and structures planned to start in
4 Q2, 2015.

5
6 **2.9 Construction Contractor(s) – Site Preparation**

7
8 Site preparation contracts were awarded for NS and NL.

9
10 The NS contractor completed all planning deliverables. Prior to the initiation of any
11 work, NSPML construction, safety and environmental monitoring personnel were
12 assigned and mobilized. Training and orientation of field crews were planned and
13 carried out. A final review was completed and the contractor was approved to proceed
14 which started in the first week of September at the Woodbine site. Work has
15 progressed on schedule to this date.

16
17 The NL contractor completed all planning deliverables in September. Prior to the start
18 of work, all activities described for NS above were completed and approval to proceed
19 was given late in September. Site preparation construction activities started in October
20 at the Bottom Brook site. Work is progressing on schedule.

21
22 **2.10 Construction Contractor(s) –Other**

23
24 The RFP for the construction of the accommodations at Granite Canal has closed and
25 the evaluations completed. The contract is scheduled to be awarded in Q4 2014.
26 Development of all early planning deliverables is currently in progress. Construction is
27 scheduled to commence in late Q4 with completion scheduled for Q3, 2015.

28
29 The designs for the grounding sites, including the breakwaters in NS and NL, were
30 completed for the RFP which was issued and closed October 7th. Construction of the
31 grounding site with marine breakwaters is scheduled to begin in 2015.

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

3.0 UPDATED COST SUMMARY

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

Table 2 below provides an updated cost summary for the Maritime Link, which includes actual costs incurred to the end of Q2, 2014, as well as a forecast of costs for Q3, 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 capital 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 NSP 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.

Table 2

Description	Actual Costs					Total Project to Date	Forecast					Total Project Estimate at Completion	Current Project Budget
	2011	2012	2013	Q1 2014	Q2 2014		Q3	Q4	2015	2016	2017		
Emerald Internal	6,106	13,363	24,910	6,544	11,294	62,218	28,536	10,359	25,061	26,925	22,447	175,566	175,566
Nalcor Internal	0	0	0	0	8,380	8,380	50	30	120	120	120	6,820	6,820
Third Party	3,770	3,529	7,676	14,415	43,876	73,266	60,440	112,171	370,113	396,450	204,171	1,218,613	1,218,614
Environmental Approval	1,131	971	549	106	3,062	5,839	589	750	3,499	5,038	8,238	23,953	23,953
Cable	2,479	257	643	11,729	24,417	39,505	21,620	25,323	56,006	73,042	100,996	316,493	316,493
Converter Stations	0	0	1,517	761	3,806	6,084	26,113	52,571	181,945	226,847	81,972	575,533	575,533
Other Technical & Engineering	160	2,321	4,967	1,820	12,572	21,840	12,117	33,527	126,663	93,522	12,964	302,634	302,634
Total	9,676	16,892	32,586	20,960	63,552	143,866	89,026	122,560	395,315	425,495	226,736	1,408,000	1,408,000
Escalation							0	200	11,139	16,620	7,395	35,354	35,354
Contingency							0	0	46,333	46,333	46,334	139,000	139,000
Grand Total	9,676	16,892	32,586	20,960	63,552	143,866	89,026	122,760	452,787	488,448	280,467	1,577,354	1,577,354

1 **Total Actual Project Costs to end of Q2 2014 Compared to Forecast**

2
3 The variance of total actual project costs to the end of Q2, 2014 compared to the
4 amounts forecasted to the end of Q2, 2014 included in the NSPML Quarterly Report
5 Q1 2014 submitted June 15, 2014 is a total underspend of \$26.2 million. The major
6 variance between last forecast and actual capital spending is explained as follows:

7
8 Emera Internal: \$18.7 million underspend this period

- 9 • The insurance program cost previously forecasted in Q2 2014 is now forecasted to
10 take place in Q3/Q4 2014.
- 11
12 • Remaining variance is attributable to several factors:
 - 13 ○ Timing of land access activities.
 - 14 ○ Reduced spending on general and administration expenses resulting from
15 labour, repayment of Nalcor previously incurred costs and legal and
16 consulting.

17
18 Third Party Costs: \$7.5 million underspend this period.

- 19
20 • Environmental Approval: \$0.1 million underspend
 - 21 ○ As referenced in the previous quarterly report, variance due to revised
22 permitting requirements and timing of stakeholder engagement activities.
- 23
24 • Cable: \$1.8 million underspend
 - 25 ○ Horizontal directional drilling geotechnical and design activities
26 rescheduled from Q1/Q2 2014 to Q3/Q4 2014 and Q2/3 2015.
 - 27 ○ Other contributions to the variance include the change in dates for the
28 initial planning deliverables in the Submarine Cable Contract.
- 29
30 • Converter Stations: \$0.5 million underspend
 - 31 ○ As noted in the previous quarterly report, updated timing of survey and
32 engineering work has been reflected in the forecast.

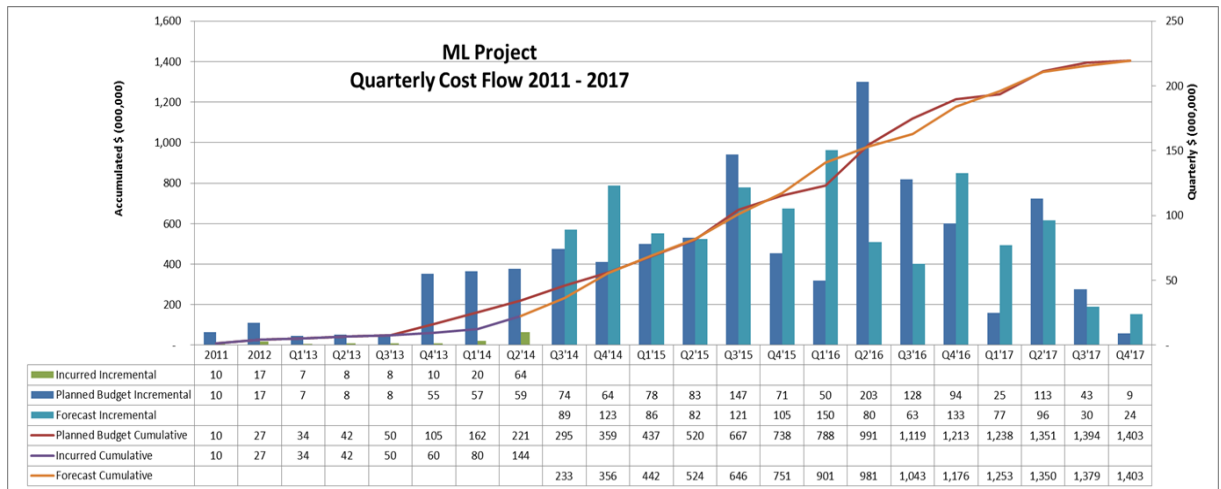
- 1 • Other Technical & Engineering: \$5.1 million underspend attributable to:
 - 2 ○ \$2.5 million underspend due to timing of delivery of structures and
 - 3 grillages.
 - 4 ○ \$1.7 million underspend due to timing of accommodations construction.
 - 5 ○ \$1.3 million underspend due to seasonality around right of way clearing
 - 6 activities.
 - 7 ○ \$0.4 million overspend on surveying activities for land access agreements.

1 **4.0 COST FLOW**

2

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

9 **Table 3**



10

1 **5.0 FEDERAL LOAN GUARANTEE/FINANCING**

2
3 NSPML's June 2014 Quarterly Report noted that the Federal Loan
4 Guarantee/Financing was finalized as of April 23, 2014 using a newly formed special
5 purpose vehicle, Maritime Link Funding Trust (MLFT). This report provides
6 additional detail about the Maritime Link financing arrangements.

7
8 **Financing Assumptions – January 2013 Application and Following**

- 9
- 10 • NSPML's January 2013 Application to the UARB was based on a capital cost
11 estimate of \$1.52 billion plus a \$60 million variance.
 - 12 ○ The \$1.52 billion was determined by combining the base Maritime
13 Link capital cost estimate of \$1.4 billion and a \$120 million true up
14 payment to Nalcor in late 2013 under the "20 for 20 Principle" to arrive
15 at a net total capital cost of \$1.52 billion.
 - 16 ○ The \$60 million variance was determined using a \$1.7 billion capital
17 cost estimate for the Maritime Link and when that amount is applied to
18 the Nalcor DG3 capital cost estimate of \$6.2 billion, the 20 For 20
19 Principle yielded a net capital cost of \$1.58 billion. The \$60 million
20 variance being the difference between the \$1.52 billion and \$1.58
21 billion net capital costs.

 - 22 • In the financial model provided in the Application:
 - 23 ○ AFUDC was estimated using the \$1.52 billion capital cost estimate,
24 NSPML's suggested formulaic Return on Equity mechanism and a
25 4.0% interest rate based on the anticipated impact of the Government of
26 Canada's Federal Loan Guarantee (FLG).
 - 27 ○ The interest rate assumption anticipated interest as well as costs and
28 fees relating to financing.
 - 29 ○ AFUDC was calculated during the period beginning January 1, 2011
30 and ending September 30, 2017.
 - 31 ○ AFUDC was estimated at approximately \$230 million.

- 1 • NSPML requested a Debt: Equity Ratio (DER) of 70% debt and 30% equity.
2 The Application outlined four phases over which the DER would be managed:
3 ○ Phase 1 – 100% Equity (prior to financing being completed)
4 ○ Phase 2 – 100% Debt (until such time as the targeted DER of 70:30 is
5 achieved)
6 ○ Phases 3 and 4 – 70% Debt and 30% Equity (to complete construction
7 and during the operating period)
8
9 • The UARB’s decision approved the \$1.52 billion capital cost and the \$60 million
10 variance. The decision also approved the 70:30 DER. The decision allowed for
11 a 9.0% Return on Equity without a formulaic model.
12
13 • In the December 2013 Quarterly Report, NSPML updated the UARB by noting
14 that its Decision Gate 3 capital cost estimate was \$1.577 billion, which when the
15 20 For 20 Principle is applied results in a net capital cost of \$1.555 billion –
16 within the \$1.52 billion to \$1.58 billion range approved.
17

18 **FLG-Related Negotiations**

- 19
20 • FLG Term Sheet was signed November 30, 2012 and was filed with NSPML’s
21 UARB Application in 2013.
22
23 • Between November 30, 2012 and February 24, 2014 (Financial Close) NSPML
24 negotiated final details arising from the FLG Term Sheet with the Government of
25 Canada and satisfied all conditions precedent as outlined in the FLG Term Sheet.
26 ○ This involved significant due diligence by the Government of Canada
27 (Departments of Natural Resources, Finance and Justice), its external legal
28 counsel (Cassels Brock), its external financial advisers (Blair Franklin), its
29 independent engineer (MWH) and its independent insurance advisor
30 (Moore MacNeil).

- 1 ○ NSPML’s team of financial, engineering, legal and project control
2 professionals worked with its external legal advisors (Osler) and insurance
3 advisors (Marsh) to achieve these conditions precedent.
- 4 ○ The government of Nova Scotia was also involved in satisfying certain
5 conditions precedent.
- 6 ○ All parties agreed on a financing structure referred to as a “Wrap Structure”
7 which involved the creation of an additional legal entity: a trust that would
8 be used to receive and distribute all federally guaranteed debt associated
9 with the Maritime Link.
- 10
- 11 ● The FLG Term Sheet stated (part 2.3):
12 “As may be required by the nature of the Financing, a hedging
13 program shall be put in place for each Borrower at Financial
14 Close. In order to ensure certainty in the cost of the Financing
15 for each of the Projects, any interest expense risk will be
16 hedged. The Project hedging principles will be agreed to with
17 the Guarantor prior to Financial Close.”
- 18
- 19 ● Between the time of the FLG Term Sheet execution (February 24) and until the
20 establishment of the MLFT and related agreements, a hedging program was
21 therefore required. An interest rate hedging program was put in place in advance
22 of Financial Close between February 11 and 14, 2014, in anticipation of the
23 imminent execution of the FLG Term Sheet, to be in effect until April 30, 2014,
24 the final date to put the actual ML financing in place.
- 25
- 26 ● NSPML achieved Financial Close on February 24, 2014. *Financial Close*
27 effectively means all necessary conditions precedent under the FLG have been
28 met, the formal guarantee is available, and NSPML is then able to secure debt –
29 this was completed on April 23, 2014.
- 30

- 1 • One of the conditions precedent necessary to be achieved was a credit rating
2 acceptable to the Government of Canada. On April 11, 2014 both Standard &
3 Poors and DBRS assigned provisional “AAA” ratings to the Maritime Link bonds
4 that were being planned for issuance later that month. The rating agencies also
5 approved the financing structure as set out in the Appendix to this report. These
6 ratings, enabled by the FLG, paved the way for the bonds to be issued.

7
8 **Financing Outcomes**

- 9
10 • Beginning in early 2014 and through to April 23, 2014, in addition to the work
11 with the Government of Canada as noted above, NSPML also engaged with its
12 external legal counsel, Osler, and engaged all of the major Canadian chartered
13 banks and sought proposals from each relating to the preferred means to raise the
14 necessary funds for the Maritime Link Project.
- 15
16 • After receiving proposals from all major Canadian chartered banks, Scotiabank
17 was selected as lead. It led the bond offering as the sole book runner and
18 underwriter. This decision was supported by the Government of Canada and its
19 advisors.
- 20
21 • On April 23, 2014, a \$1.3 billion ML bond offering (the maximum permitted
22 under the FLG) was completed using the MLFT. This fulfilled the initial
23 advance requirement under the FLG agreement and made effective Emera’s
24 Completion Guarantee in favour of Canada. The bond offering was for \$1.3
25 billion principal of amortizing bonds at a locked in coupon interest rate of
26 3.50%. The bonds mature on December 1, 2052. Given the structure and hedging
27 requirements of this financing as described above, there are approximately \$50-
28 \$60 million of financing costs that have been or are being forecasted to be
29 incurred between now and the end of 2017, while complying with the
30 requirements. These costs relate to hedging, banking commissions, fees of the
31 Independent Engineer, legal and other external service fees of both Canada and
32 NSPML, and trustee service costs. Since these fees relate to the entire financing,

1 they are being deferred and will be recovered in rates over the 35 year operating
2 period of the Project. These fees, when combined with the 3.50% coupon
3 interest rate on the bonds, result in the 3.85% effective interest rate noted
4 publicly when NSPML announced the completion of its financing in late April
5 2014.

- 6
7 • Since all bond proceeds have been received upon closing, the funds will be
8 invested until needed by the Project. The majority of these funds have been
9 invested in Alberta Treasury notes – invested at a rate of 1.93% and maturing in
10 line with the Project’s forecasted capital requirements. Certain funds were
11 invested in a short-term deposit account, which is currently earning interest at
12 1.35%.
- 13
14 • In order for NSPML to be able to draw funds from the MLFT, it must secure
15 approval from the Independent Engineer (MWH) as well as the Collateral Agent
16 (TD) – both representing Canada. These approvals ensure that no funds are
17 advanced to NSPML unless the underlying expenditures are acceptable and
18 reasonable. Until such time, all funds in the MLFT remain invested as noted in
19 the previous bullet. This draw process began in April 2014 and has been
20 working appropriately.
- 21
22 • In addition to the third parties noted above, Computershare and BNY have been
23 appointed as Indenture Trustee and Issuer Trustee and Trustee of MLFT.

24 25 **Current Forecast of AFUDC**





- 26
27 • Our most recent calculations, now based on actual interest rates and financing
28 structure, show AFUDC to be within the \$230m amount originally estimated, for
29 up to the end of September 2017 (consistent with the end date assumption in the
30 model filed in the UARB Application).




Maritime Link Project
Level 1 Project Schedule

Sept

Project Level 1 Schedule

	2011			2012			2013			2014			2015			2016			2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Maritime Link - Level 1																					
Gates	DG 1																				
Milestones	DG 2																				
Emera Commercial Activities	DG3/Full Funding																				
Environment Ass't with Aboriginal/ Others Engaged 93000	EA Permits																				
NS Regulatory Application 90200	EA Reg. Screen																				
Land Access Agreements 94000	Regulatory Prep and File																				
Funding - Schedule Reserve and Allowances 90100	Access Agreements																				
Insurance	Fed L. Agree																				
Joint Development Agreements	FLG Contract																				
Emera Engineering Activities	Analysis, Consultation and Policy Secured																				
Emera Pre-FEED, Procurement	Agreement Updates																				
Engineering Services	Eng. Design for Procurement / Issue for Const.																				
Commission System	Commission Planning																				
EPC1 - Subsea Cables (Marine)	Commission																				
Cable FEED, Procurement 61000	Marine - Eng.																				
Cable Engineering, Manufacturing	RFP/Eval/Select/Negotiate																				
Cable Protection	HDD Procurement for Geotech / Design																				
EPC2 - DC Converter Stations/Substations	HDD Final Design / Procurement/Award																				
Converter Switchyard FEED / Procurement	Geotech																				
Converters (2) Eng. / Manufact.,	Start-up / Eng.																				
Construction / Field Ops Bottom Brook and Woodbine	RFP/Eval/Select/Ag. Cont./ Award																				
Construction / Field Ops Cape Ray and Point Aconi	Technical Specif.																				
Construction / Field Ops Granite Canal	Funct. Specif.																				
Construction Contractors - Transmission Lines	Procurement / Negotiation / Contract Awards																				
TL Contractors Procurement	Procurement / Contract Award																				
Construction AC Lines NL (BB to GC) 11000	Trees / Foundations / Cabling / Test																				
Construction DC Lines NL (BB to CR) 12000	Trees / Foundations / Cabling / Test																				
Construction G - Line NL (BB to IH) 14100	Trees / Found / Cabling / Test																				
Construction DC Lines NS (PA to WB) 13000	Trees / Foundations / Cabling / Test																				
Construction G - Line NS (WB to BL) 14200	Trees / Found / Cabling / Test																				
Accommodations 15000	Construction / Accommodations Operations																				
Construction Contractors - Compounds / Other	Procurement / Contract Award																				
Compounds / Other Contractors Procurement	Trees																				
NS Woodbine (23200,42000, 53000)	Trees																				
NS Point Aconi (62100)	Site Prep																				
NS - Big Lorraine (32000 / 52000)	Site Prep																				
NL - Bottom Brook (22000/ 41000)	Trees																				
NL - Indian Head (31000)	Site Prep																				
NL - Cape Ray (51000)	Trees																				
Procurement - Grounding Site Breakwater / Technology	Procurement / Contract Awards																				
Grounding Site NL Indian Head 31000	Breakwater Const.																				
Grounding Site NS Big Lorraine 32000	Eq Install																				

 ENL Lead Activities
 Other Lead Activities
 Critical Path Activities
 Milestones

 Marine Weather Installation Window 1
 Marine Weather Installation Window 2
 Marine Weather Installation Window 3

Schedule Date - September 30, 2014

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 September 22, 2014 (the "Construction Report"); and
- (b) the Borrower's funding request dated September 24, 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: September 26, 2014

MWH CANADA, INC.

By:  _____

Title: VP, RM