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 2017

December 15, 2017

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1	1.0	INTRODUCTION
2		
3		This is the Q4 2017 Quarterly Report for the Maritime Link as directed by the Utility
4		and Review Board (UARB) where the UARB ordered in its Supplemental Decision:
5		
6		[115]detailed reports must be filed by NSPML on a semi-
7		annual basis, on June 15 and December 15 each year. The reports
8		shall commence December 15, 2013. Updated status reports must
9		be filed quarterly.
10		
11		As per the UARB's order in its Decision regarding the Maritime Link Interim Cost
12		Assessment (M07718), this Report now includes detail regarding the status of the
13		construction of Nalcor's assets.
14		
15		This Decision also requested that the quarterly reports include an accounting of all
16		transactions related to this project, cash flow analysis, and a separate section
17		describing and quantifying the financial and other benefits realized for ratepayers from
18		the Maritime Link prior to delivery of the Nova Scotia Block and Nalcor market-
19		priced energy. NSPML will report on these matters when the Maritime Link is in-
20		service commencing in 2018.

1	2.0	UPDATE OF PROJECT SCHEDULE
2 3		As non-Energy II 21, sections 1.1.1.2 and 1.2, this section provides on undete on the
		As per Enerco U-31, sections 1.1, 1.2, and 1.3, this section provides an update on the
4		project schedule, along with a variance explanation and general status updates.
5		Discouration to Attachment 1 for the Level 1 Duringt Schooling and Attachment 2 for
6		Please refer to Attachment 1 for the Level 1 Project Schedule and Attachment 2 for
7 8		the detailed Project Schedule.
9		Nalcor's schedule for the transmission assets remains mid-2018 and the completion of
10		Muskrat Falls is forecast for Q3 2020. The Nova Scotia Block is forecast by Q2 2020.
11		NSPML will provide future updates as Nalcor advances towards completion of the
12		Muskrat Falls project.
13		Muskrat Pans project.
14	2.1	Gates and Milestones
15	2.1	Gates and refrestores
16		As scheduled, key assets were energized in Q3 of this year for subsystem testing and
17		commissioning is expected by the end of Q4 2017. The Maritime Link is expected to
18		be in-service by January 1, 2018.
19		
20	2.2	Safety
21		·
22		The project review of high-risk activities for any remaining field activities by
23		contractors continues to be followed.
24		
25		Marine safety reviews were completed for all aspects of the marine program, which
26		was completed at the end of August without any safety incidents.
27		
28		Safety reviews continued during the final stages of the installation of the equipment
29		for the substations, converter buildings and yards, and other sites. During Q3 and Q4,
30		specific focus was on the Lock-Out, Tag-Out and Permit-to-Work procedures, which
31		were followed for the completion of the utility power outages and energization of
32		HVac equipment at Bottom Brook, Granite Canal, and Woodbine as well as the

NSPML

1	Newfoundland and Labrador HVac Transmission line. Similar reviews and focus
2	were followed for the equipment and system tests as well as final testing which are in
3	progress and scheduled to be completed in late December prior to commercial
4	operations. Safety planning and preparations for the operations of the Maritime Link
5	are currently in development.
6	
7	As reported previously, a grouted anchor issue and a fallen tower on June 11, 2017
8	resulted in a Newfoundland and Labrador Occupational Health & Safety (OH&S)
9	stop work order being issued for tower erections. The team worked with OH&S to
10	design and implement a plan to enable work to resume safely. Anchor investigations
11	began in August and the repair and replacement program was completed in October
12	without incident.
13	
14	Safety reviews are also carried out prior to demobilization of contractors and assets.
15	These reviews were implemented for the dismantlement of the Granite Canal camp.
16	On October 31, during removal of a temporary bridge, an incident occurred when the
17	structure collapsed with an excavator on it which landed in the river two metres
18	below. The operator incurred minor injuries. The investigation was completed and
19	follow-up safety actions were implemented for upcoming bridge removal activities.
20	
21	Public safety notifications were developed and communicated to the communities as
22	the transmission line and substation assets began energization in Q4.
23	
24	The safety of the public and the workers continues to be the first priority, and
25	NSPML remains committed to a culture on the work sites that promotes world class
26	safety behaviours.

2.3 Commercial Activities

2

1

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

56

4

Table 1 Key Major Procurement Activities

Commercial	Status in October 2017	Initiative	Status in	
Activity		Number	December 2017	
HVdc Submarine	The Contract was awarded to	E11-18	Final Completion	
Cable Supply and	Nexans in January 2014.		expected before year	
Installation			end.	
	Substantial Completion occurred			
	in September, 2017.			
Converter stations,	The Contract was awarded to ABB	E12-74	No Change	
switchyards and related	Inc. in June 2014.			
structures ("converters				
and structures")				
Right of Way Clearing	Contracts were awarded to Majors	E13-88	Closed	
along Transmission	Logging Limited in NL and to R.			
Lines	MacLean Forestry in NS in			
	February 2014.			
	E13-88 is closed.			
Transmission	The Contract was awarded to	E13-85	No Change	
Structures and	Kalpataru Power Transmission			
Grillages	Ltd. in September 2014 for design			
	and delivery of Structures and			
	Grillages.			
Site Preparation	The Contract was awarded to	E13-92	Closed	
Services (Includes	Joneljim Concrete Construction			
construction of access	(1994) Ltd. for NS Site			

Commercial	Status in October 2017	Initiative	Status in
Activity		Number	December 2017
road upgrades)	Preparation Services in September		
	2014.		
	Contracts awarded to Marine		Closed
	Contractors Inc., MCI Limited		Closed
	Partnership for NL Site		
	Preparation Services in September		
	2014.		
	Contract closeouts in progress.		
Transmission Line	E13-95 contract has been	E13-95	No Change
Construction	terminated.		
	Contract replaced with E16-284		
	and E16-269 as reported in the		
	previous report.		
Transmission Line	The contract with PowerTel was	E16-284	Final completion in
Construction – NL AC	re-assigned to NSPML for the		progress.
Line	completion of the two Grounding		
	Lines and the HVac Line.		
	Substantial Completion achieved.		
Transmission Line	The contract for the construction	E16-269	Mechanical
Construction - NL and	of the HVdc Transmission Lines		completion achieved
NS HVdc Lines	was awarded to a joint venture of		in early December
	Emera Utility Services and		2017 and final
	Rokstad Power Corporation		completion in
	(ERJV).		progress.

Commercial	Status in October 2017	Initiative	Status in	
Activity		Number	December 2017	
Transmission Line	The Contract for the supply of	E13-87	Contract close-out	
Conductors	conductors was awarded to Midal		remains in progress	
	Cables in March 2015. Contract			
	close-out in progress.			
	The contract for the supply of			
	OPGW was awarded to		Closed	
	Composite Power Group Inc. in			
	June 2015. This is also within the			
	scope of the E13-87 initiative.			
	Contract close-out in progress.			
Horizontal Directional	Contract awarded to Directional	E13-156	Closed	
Drill (HDD)	Horizontal Drilling (DHD) in			
Construction Program	January 2016.			
	E13-157 was divided into two	E10.155	GI I	
	contracts.	E13-157	Closed	
	E13-157 A was awarded to			
	Schlumberger in March 2016 for			
	the supply of HDD fluids. E13-			
	157B was awarded to Baker			
	Hughes in April 2016 for the			
	Supply of directional drilling			
	services, drill bits and other			
	materials. Contract closed.			
	E13-158 for marine intervention	E13-158	Closed	
	services was awarded in April			
	2016 to DOF Marine. Contract			
	closed.			

Commercial	Status in October 2017	Initiative	Status in
Activity		Number	December 2017
	The supply of the HDD casing (E15-238) was awarded to East Coast Tubulars Limited in October 2015. Contract closed. The closeout of all HDD construction contracts were in progress. Contract closed.	E15-238	Closed
Accommodations Operations	The contract for the accommodations operations services was awarded to East Coast Catering in April 2015. The Contract was extended to the end of August 2017 with the completion of camp operations. The camp was dismantled and removed, followed by greenfielding of the site.	E13-89	Contract closeout in progress.

25

1	2.3.1	Land Access Agreements
2		
3		NSPML is making every effort to ensure title is acquired to the key Project sites by
4		December 31, 2017, as required under the Federal Loan Guarantee.
5		
6		As final land surveys are completed, it is expected that there will be some amendments
7		required to easements which have been obtained, particularly along the Transmission
8		and Grounding lines, which will take place in 2018 as anticipated under the Credit
9		Agreement.
10		
11	2.3.2	Funding
12		
13		As in prior months, Funding and Drawdown Requests containing comprehensive
14		details of costs for the upcoming month were submitted to the Collateral Agent and
15		Government of Canada as necessary, and all requested funds were received on
16		schedule. Please refer to Attachment 3 for the Independent Engineer (IE) Draw
17		Confirmation Certificates for the period. The IE Certificates allow for Project costs to
18		be paid from the proceeds of the Maritime Link Construction Loan under the payment
19		terms of the Material Project Documents and the Maritime Link Credit Agreement.
20		
21	2.3.3	Joint Development Agreements
22		
23		NSPML continues to work with Nalcor and NS Power to finalize the remaining
24		operational agreements arising from the Formal Agreements with Nalcor. Please refer

to Attachment 4 for details on the status of these Agreements.

Page **10** of **20**

2.4 Engineering Activities

Commissioning of the Maritime Link continues to align with the completion target date of Q4 2017. Engineering is captured in three main categories across several Work Breakdown Structures ("WBSs"):

HVdc Submarine Cable Supply and Installation - With all installation work now
completed, the remaining engineering work is focused on completion of final
documentation as the contract comes to a close in Q4 2017. Engineers from
Nexans were available for the repair of land cable tests at the Woodbine transition
site. Engineers will also be available for final transmission line tests in December.

• HVdc Converters and Substations - Engineering is included in the contract awarded to ABB for the supply and installation of these assets. With construction and installation activities close to completion, engineering is focused on site-related changes and protection and controls during commissioning. Engineering has supported the implementation work during the HVac power outages and energization of the equipment at the three substations. Engineers have been actively engaged in the HVdc equipment testing and documentation reviews. Similarly, they were engaged in witnessing and reviewing the subsystem tests and resulting documentation. Currently they are working with the utilities on the commissioning activities including the energization of the HVdc assets and final testing in December. The remaining engineering priorities include the completion of the main circuit studies, the Plant Circuit Diagrams (PCDs), test results documentation, the "as built" engineering drawings and preparations for the transition to operations.

 Overland Transmission - Designs for the transmission and grounding lines are
complete and in-field modifications resulting from the contractor related as-found
geotechnical conditions at each structure are complete. Engineering was engaged
with the planning and assessment of the anchors for the NL HVdc transmission
line. Engineers continued to review results of the assessments and were engaged in
the repair and replacement program and the final associated documentation for the
program. Engineers were also engaged in the final energization and testing of the
NL DC transmission line where mechanical completion was achieved in
December.



Cable HVdc testing at Transition Site



Point Aconi Transition Site

2.5 Submarine Cables

Installation and testing is complete on the submarine cables.

Technical documentation and survey data is being prepared by Nexans to be submitted for final review and approval. This is the last work activity prior to the achievement of the Final Completion and contract closeout which is scheduled in December.

2.6 Converters and Substations

Overall progress project to date is approximately 99 percent complete in early December. Resources and scheduled activities continue to be optimized and NSPML continues to forecast the achievement of the Commissioning Date, as defined in the Maritime Link Credit Agreement, of December 31, 2017.

At Bottom Brook and Woodbine, work at the HVdc converter buildings and DC Yards was approximately 99 percent complete at the end of November. Recent activity includes the completion of the pulling and terminations of cables to the HVdc control panels in the buildings and the energization of the MACH 2 Controls system. The

NSPML

1	installation of telecom equipment and related network connections continued. Final
2	system testing started in late November and both converter stations were energized in
3	late November. All tests are scheduled to be completed in December, subject to the
4	utilities' system availability due to weather conditions.
5	
6	A repair process for a damaged section of land cable was completed by removing the
7	damaged section.
8	
9	At Granite Canal, civil works, substation installation and pre-commissioning are
10	complete.
11	
12	At Cape Ray and Point Aconi Transition Compounds, civil works, installation and pre-
13	commissioning were completed in early December.
14	
15	At Big Lorraine and Indian Head Grounding Sites, all installation and pre-
16	commissioning was completed in early December.
17	
18	2.7 Construction Contractors – Transmission Lines
19	
20	Following the completion of the repair and replacement program, the remaining
21	anchor and tower installations were completed in November. As shown below, some
22	of this work involved replacing anchors. The stringing of the conductors and the
23	energization test of the line were completed in early December. The NL HVdc
24	transmission line achieved Mechanical Completion in early December.
25	
26	All five transmission lines are now complete. The remaining work includes minor
27	punch list activities, access trail rehabilitation, and final documentation, each to be
28	completed in 2018.



1 2 3

2.8 Granite Canal Accommodations Operations

45

6 7 This camp was closed at the end of August. The contracts were awarded for the deconstruction of the camp and the greenfielding of the site. The contractors mobilized in October and all work was completed in November.

9

8

2.9 Grounding Sites

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10

All installation and pre-commissioning of the grounding sites at Indian Head, Newfoundland and Labrador and Big Lorraine, Nova Scotia were completed in this period.

1415

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1
•

2.10 Independent Engineer

forthcoming Quarterly Report.

The Independent Engineer (IE) team has completed several site visits and project inspections, at various stages in each province. As well, IE team members have witnessed the progress at each major manufacturing facility for cables, converters and transformers on multiple occasions at key stages of manufacturing. The IE completes confidential reports for Canada and provides a briefing to NSPML for each inspection.

In June, the IE completed a site visit to Bottom Brook, Cape Ray, Point Aconi and Woodbine. Please see Attachment 5 for the report from this visit. In September, the IE completed site visits to Point Aconi and Woodbine in Nova Scotia and to Bottom Brook and the HVdc Transmission line in Newfoundland and Labrador. In November, the IE visited Bottom Brook, Point Aconi and Woodbine with a representative from Canada, and in December the IE travelled to Woodbine to observe testing activities. Once received, all of the site visit reports from the IE will be provided in a

1	2.11	Status of Nalcor Project and Muskrat Falls
2		
3		The projected in-service date for the Labrador-Island Link (LIL) continues to be Q2
4		2018. The projected date for first power for Muskrat Falls Generation is Q4 2019, with
5		full power projected for Q3 2020. This is a shift of approximately three months from
6		Nalcor's forecast in June 2016. The Nova Scotia Block of energy from Muskrat Falls
7		is projected for Q2 2020, when the third of four generation units is projected to be
8		commissioned; this is within the range noted in NSPML's Q3 Report of October 2017.
9		
10		The latest report from Nalcor, published on November 17, 2017 indicates the
11		following progress as of September 2017:
12		
13		Overall construction progress of all components of the Muskrat Falls Project at the end
14		of September 2017 was 85 percent. The Muskrat Falls Generating Facitily reached 75
15		percent complete, with the Labrador-Island Transmission Link progress at 93 percent
16		complete, and the transmission line connecting Churchill Falls to Muskrat Falls at
17		99 percent complete.
18		
19		For the Muskrat Falls Generating Facility, key recent activities include:
20		
21		• Targets for concrete placement for the powerhouse and intake continue to be
22		exceeded, with 86 percent of concrete placed.
23		 Continuation of installation of steel.
24		• Completion of installation of all precast panels at powerhouse unit 1, installation of
25		26 of 28 precast panels at powerhouse unit 2.
26		• Continuation of concrete surface finishing for draft tubes 2, 3 and 4.
27		• Commencement of assembly of unit 2 draft tube liner.
28		Commencement of in-water works for the installation of the debris/ice boom.

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 as of September 30, 2017 and forecasted costs for the remainder of the Project's construction phase.

NSPML continues to track and report all costs, actual and forecast (2011-2018), consistent with the methodologies used in the cost forecast represented in the Maritime Link Project Application. Project costs include fully allocated costs for the entire Project Management Team, including contractors, employees, executives dedicated to the project, and NS Power seconded employees at affiliate mark-up rates according to the Affiliate Code of Conduct. All costs provided are in Canadian dollars.

Actual AFUDC is being tracked and recorded monthly. AFUDC remains within the \$230 million amount estimated at the time of filing of NSPML's Application.

Table 2 Updated Cost Summary for the Maritime Link

(000's of Canadian Dollars)	Actual Costs							Forecast		Total Project	
Description	2011-2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Total Project to Date	Q4 2017	2018	Estimate at Completion
Emera NL Project Management Costs	44,379	42,315	24,599	25,639	8,446	8,222	8,618	162,217	1,607	13,000	176,824
Nalcor Project Support Costs	-	15,232	425	438	15	128	70	16,308	45	-	16,353
Construction and Engineering Initiatives	14,975	167,980	259,750	403,871	128,726	150,318	75,123	1,200,743	68,192	7,190	1,276,125
Environmental Approval	2,651	4,378	1,082	1,623	450	3,335	3,093	16,611	4,618	150	21,379
Submarine and related	3,359	83,797	74,439	54,213	31,643	47,554	16,801	311,807	22,583	-	334,390
Converters, structures, and other ancillary equipment	1,517	48,747	106,195	227,643	49,566	31,725	34,839	500,232	36,620	3,280	540,132
AC and DC Transmission	7,448	31,057	78,035	120,392	47,067	67,704	20,390	372,093	4,371	3,760	380,224
Total	59,354	225,527	284,774	429,948	137,187	158,667	83,811	1,379,268	69,844	20,190	1,469,302
Escalation									32,454		32,454
Contingency									75,598	-	75,598
Grand Total	59,354	225,527	284,774	429,948	137,187	158,667	83,811	1,379,268	177,896	20,190	1,577,354

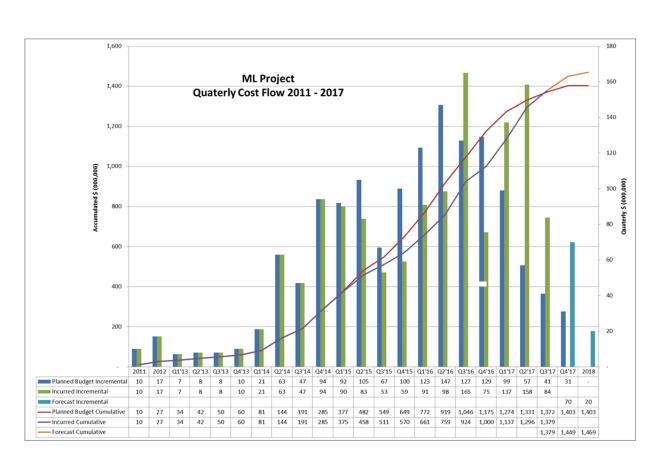
1	Total Actual Project Costs at end of Q3 2017 Compared to Previous Forecast
2	
3	The total actual project costs for Q3 2017 were \$6.5 million less than the costs for the
4	same period forecasted in the NSPML Quarterly Report of October 16, 2017. The
5	explanations of the variances are as follows:
6	
7	• ENL Project Management, Nalcor Project Support and Environmental Approval:
8	\$1.1 million higher cost incurrence due to resourcing, administration and timing of
9	activities.
10	
11	• Submarine and related: \$2.5 million lower cost in the subsea program and timing
12	of other completion activities.
13	
14	• Converters, structures and other ancillary equipment: \$3.1 million lower cost
15	incurrence due to slower progress achieved for civil construction, installation and
16	follow-on testing activities for the converter buildings and HVdc yards.
17	
18	• AC and DC Transmission: \$11.0 million higher than forecasted. This was
19	attributed to the NL DC transmission line anchor investigation, repair and
20	replacement program.
21	
22	The variances do not change the forecasted completion date of Q4 2017, and the
23	Project remains within budget.

4.0 COST FLOW

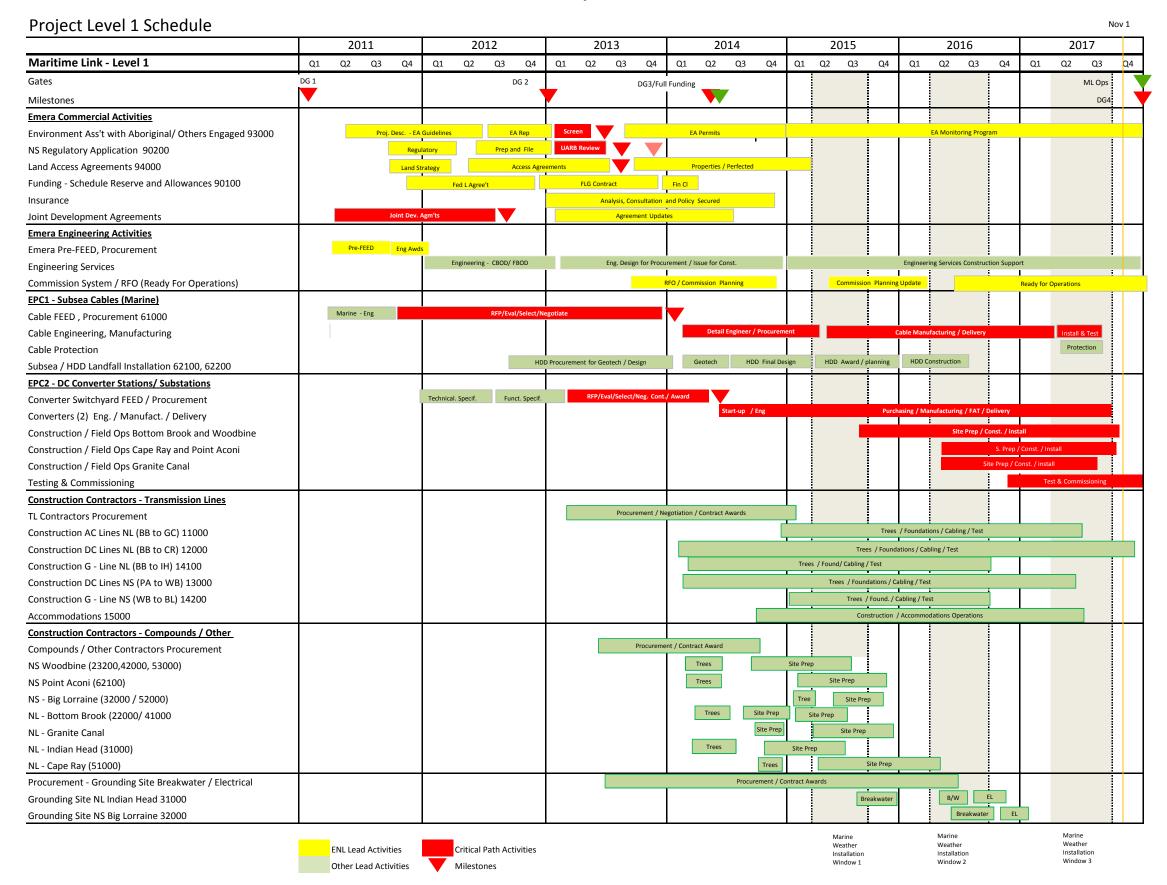
As per Enerco U-31, section 2.2, please refer to Table 3 below for the cost flow until the Maritime Link is commissioned. This cost flow for the base capital spending remains forecasted at \$1.469 billion as reported in the previous quarter with no draw down on contingency or escalation. The total of the base capital spending, escalation, and contingency amounts remains at \$1.577 billion.

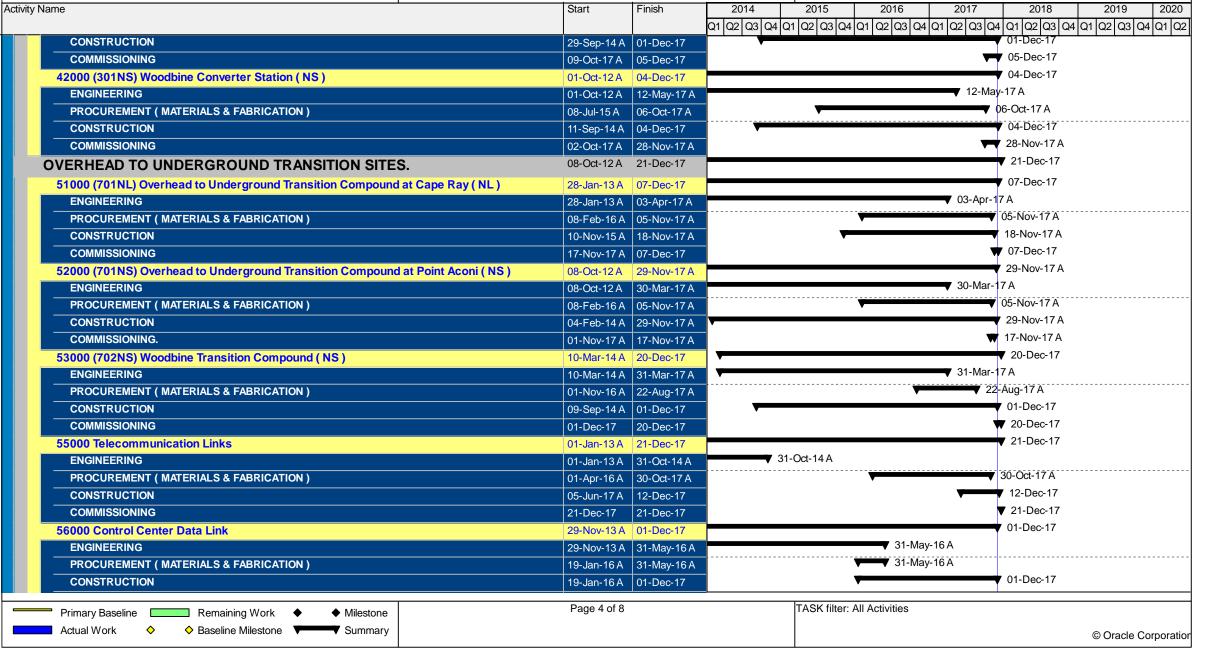
Certain costs such as final major contract payments, release of statutory withholdings, and payment of punch list items are expected to occur in 2018. This does not change the forecast of the project being in-service by January 1, 2018 and AFUDC ending upon the in-service date. NSPML is currently forecasting these 2018 payments and will report on these amounts in the next quarterly report.

Table 3 Cost Flow until the Maritime Link is Commissioned



Maritime Link Project Level 1 Project Schedule





NSPML Quarterly Report December 2017 Attachment 2 Page 8 of 8 13-Dec-17 14:33 MLP - Schedule (DD-DEC-01-17) UARB Q4 2017 Activity Name Start Finish 2014 2015 2016 2017 2018 2019 2020 Q1 Q2 Q3 Q4 Q1 Q2 14-Dec-17 **Transmission Tests** 07-Dec-17 14-Dec-17 ▼ 11-Dec-17 Open Line / DC Switchyard Tests 07-Dec-17 11-Dec-17 ▼ 08-Dec-17 Pole - 2 08-Dec-17 08-Dec-17 ▼ 11-Dec-17 Pole - 1 07-Dec-17 11-Dec-17 ▼ 14-Dec-17 Monopolar Operations. 14-Dec-17 11-Dec-17 ▼ 13-Dec-17 Pole - 2 11-Dec-17 13-Dec-17 ▼ 14-Dec-17 Pole - 1 11-Dec-17 14-Dec-17 ₩ 29-Dec-17 **Bipolar Operation** 14-Dec-17 29-Dec-17 ▼ 29-Dec-17 **Performance Testing** 15-Dec-17 29-Dec-17 TASK filter: All Activities Page 8 of 8 Primary Baseline Remaining Work ◆ Milestone

© Oracle Corporation

Actual Work

♦ Baseline Milestone

Summary

SCHEDULE "Q"

DRAW CONFIRMATION CERTIFICATE BY INDEPENDENT ENGINEER

ML PROJECT FINANCING

This Draw Confirmation Certificate is provided by Argirov Engineering 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, 2017 (the "Construction Report"); and
- (b) the Borrower's funding request dated October 25, 2017 (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, 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 27, 2017

Argirov Engineering Inc.

By:

Title: <u>IE Team Leader</u>

SCHEDULE "Q"

DRAW CONFIRMATION CERTIFICATE BY INDEPENDENT ENGINEER

ML PROJECT FINANCING

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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, 2017 (the "Construction Report"); and
- (b) the Borrower's funding request dated November 22, 2017 (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, 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, 2017

Argirov Engineering Inc.

By:

Title: <u>IE Team Leader</u>

Operating Agreement Requirements Arising from the Formal Agreements

	Agreement Parties		Description	Formal Agreement Source	Status	
1.	Asset Interconnection Agreement (NL)	Emera, NLH	Interconnection of ML with the Island Interconnected System	ML-JDA, s. 2.1 (c)	Completed	
2.	Multi-Party Pooling Agreement	Emera, NLH	NLH (SO) to have operational control of ML NLH AC Upgrades	ML-JDA, s. 2.1 (d)	Completed	
3.	Transmission Operating Agreement (NL)	Emera, NLH	NLH (SO) to have operational control of ML NL HVdc Facilities	ML-JDA, s. 2.1 (e)	Completed	
4.	Asset Interconnection Agreement (NS)	Emera, NSPI	Interconnection of ML with NS bulk electric transmission system	ML-JDA, s. 2.1 (f)(i)	Completed	
5.	Transmission Operating Agreement (NS)	Emera, NSPI	NS SO to have general operational control of the ML	ML-JDA, s. 2.1 (f)(ii)	Completed	
6.	ECA – Metering and Measuring Standards – Transmission Losses	NSPML, Nalcor	Metering and measuring standards used in the calculation of Transmission Losses	ECA, Schedule 3, s. 5	Completed	
7.	Regulation Service Agreement	NSPML, Nalcor	Nalcor's provision of the Regulation Service with respect to the Nova Scotia Block for the Initial Term	ECA, Schedule 5	Expect completion in 2018	
8.	Metering and Measuring Standards – NS NTQ transmission losses	NSPML, Nalcor	Metering and measuring standards used in calculation of NS –NTQ Path Peak and Off-Peak Hour transmission losses	NSTUA, Schedule 3, s. 6	Completed	
9.	NB Back-up Capacity Agreement	Bayside Power L.P, Nalcor	Emera's provision of backup Capacity to NB to Nalcor until March 31, 2021	NBTUA, s. 2.1(d)	Expect completion in 2018	
10.	IOA – ML Transmission Procedures	NSPI, NLH	Rules and practices applicable to administration of transmission service over the ML	IOA, Schedule D	Completed	
11.	IOA – Reserve Sharing	NSPI, NLH	Sharing of energy and reserves between the Parties to improve Reliability	IOA, Schedule A	Completed	
12.	IOA – Description of Interconnection Facilities	NSPI, NLH	Description of Interconnection Facilities for which each Party is responsible	IOA, Schedule B	Completed	
13.	IOA – Functional Operating Relationship	NSPI, NLH	Various matters relating to operating relationship	IOA, Schedule C	Completed	

14.	IOA – Operating Procedures	NSPI, NLH	IOC to develop "operating procedures"	IOA s.7.2 and s. 7.4(a)	Completed	
15.	IOA – Schedule A1.0	NSPI, NLH	Parties to prepare a plan for NLH participation in Reliability Assessment Program ("RAP")	IOA Schedule A1.0	Completed	
16.	ML TSA – ML Scheduling Process	Emera and Nalcor	Scheduling process applicable to the provision of Firm Point-to-Point Transmission Service	MLTSAs, Schedule 2	Completed	
17.	Amendments to Formal Agreements	Emera, Nalcor	Amendments to Formal Agreements required by Sanction Agreement	Sanction Agreement	Completed	
18.	Energy Access Agreement	Emera, Nalcor	Commitments regarding access to market priced energy	Compliance Filing, Appendix A	Completed	
19.	Balancing Service Agreement	Emera, Nalcor	Nalcor commitment to provide balancing services from generation sources in NL for 25 years.	Energy Access Agreement Term Sheet, s. 7(g) and Appendix 1	Completed	
20.	Assignment of Transmission Rights under ML(E)TSA	Emera, Nalcor	Assignment of Transmission Rights	ML(E)TSA, s. 3.3 (h)	Expect completion in Q1, 2018	
21.	Assignment of Energy Access Agreement	Emera, Nalcor, NSPI and NEM	Assignment/assumption of Nalcor's rights and obligations to/by NEM	EAA s. 15.1 (a)	Expect completion in 2019	
22.	Assignment of Nalcor Master Agreement (EAA Schedule 2)	Nalcor, NSPI and NEM	Assignment/assumption of Nalcor's rights and obligations to/by NEM	Nalcor Master Agreement s. 10.5 (a)	Expect completion in 2019	
23.	JOA-Joint Operating Committee ("JOC")	Nalcor and NSPML	Establish/Operationalize JOC	JOA s.s. 3.1, 3.5	Completed	
24.	NS Transmission Utilization Agreement	Nalcor and Emera	Status of Emera firm Point to Point Transmission Service	NSTUA s.s.2.2 (a)-(c)	Completed	



LCP - ML PROJECT SITE VISIT REPORT JUNE 5 TO 8, 2017

Prepared for: Natural Resources Canada and Emera

IE Team Lead: Nik Argirov Date: September 13, 2017

Quality Assurance Statement

Office Address 740-1185 W Georgia Street, Vancouver BC, V6E 4E6	
Prepared by Nik Argirov, Vlad Kahle and Hamdy Khalil	
Reviewed by	Nik Argirov
Approved for Issue by	Nik Argirov

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1. GENERAL

Independent Engineer (IE) team, together with a representative from Natural Resources Canada participated in the site visit for the Maritime Link (ML) project. The site visit took place in the provinces of Newfoundland and Nova Scotia during the period extending from June 5 to 8, 2017. Emera senior management representatives Gerry Brennan, Senior Project Manager, Phil Zinck, Converter and Stations Contract Manager, Norm Dimmel, Corporate Services, Anne- Marie Curtis, Completions and Integration Director and Ken Meade, Assistant Project Manager, accompanied the IE team listed below.

IE team: Nik Argirov (IE Team Lead)

Vlad Kahle (IE Electrical SME)

Hamdy Khalil (IE Transmission Lines SME)

The trip itinerary was as follows:

June 4:

• Arrive and overnight in Deer Lake NL

June 5:

- Start from Deer Lake
- Fly HVac line to Bottom Brook, fly portion of HVdc line
- Granite Canal substation inspection
- Overnight in Deer Lake

June 6:

- Cape Ray Cable pull- in site, Land Cable, Transition site visit
- HVac, HVdc transmission line ground inspection
- Bottom Brook Converter Station site visit
- Travel from Deer Lake NL to Stephenville NS
- Overnight in Stephenville NS

June 7:

- Bottom Brook Converter Station Completion Plan meeting
- Travel from Deer Lake NL to Sidney NS

June 8:

- Safety Orientation in NSPML office
- Travel to Point Aconi
- Point Aconi Cable pull- in site, Land Cable, Transition site visit
- Cape Breton HVdc transmission line site visit
- Woodbine Converter Station site visit
- Depart Sydney for home bases



2. NEWFOUNDLAND PROJECT SITES – JUNE 5 TO 7, 2017

The Newfoundland portion of the project includes: (a) approximately 142 km of steel tower 200 kV HVDC transmission line from the existing Bottom Brook substation to Cape Ray, (b) approximately 20 kilometers of grounding line from Bottom Brook to Indian Head and (c) approximately 160 km of wood H-Pole 230 kV HVAC transmission line from Bottom Brook to Nalcor's existing Granite Canal Hydroelectric Generating Station. The associated infrastructure includes: (i) a new converter station and substation expansion at Bottom Brook, (ii) a switchyard at Granite Canal, (iii) a transition compound, (iv) 2 km of underground cable and an onshore cable anchor at Cape Ray and (v) a marine ground at Indian Head.

Transportation to all sites, with the exception of the Granite Canal, was by road. The travel by helicopter along the HVAC transmission line from Bottom Brook station to Granite Canal station and the portion of the HVdc served the dual purpose of the transmission line construction progress inspection and transportation to and from the Granite Canal site.

HVAC and HVDC Transmission Lines

The AC line is largely complete with final stringing considered the main activity which would be followed by walk-down and punchlisting for the last remaining activities. On the DC line installation of foundations and tower erection was underway. A small portion of stringing had been completed. During the site visit, the IE witnessed stringing activities on both AC and DC lines. The IE also observed several wood pole structures on the AC side and guyed and self-supporting lattice towers on the DC side. (In NS only some grounding wires were stolen from number of the lattice structures).



Photo 1. Indian Head grounding site and grounding line.





Photos 2/3/4. Stringing site / AC line – Structure ready for Stringing - Stringing using helicopter.



Photo 5. Corner dead end structure / AC line.





Photo 6. Stringing site / DC line.





Photo 7. Guyed DC structure / use of access matts due to soil condition.





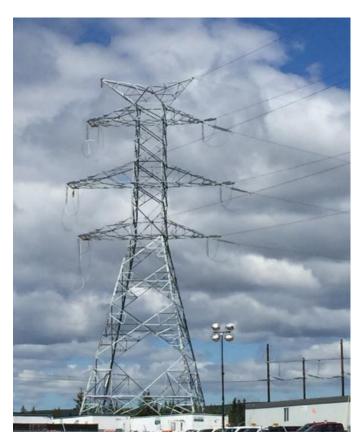
Photos 8/9. Tower assembly outside Bottom Brook.







Photos 10/11. Lightning Towers and the first DC corner structure outside Bottom Brook.





Photos 12/13. Double Circuit dead end tower / Single circuit self-supporting tower.







Photos 14/15. Leg Grounding / Damaged (stolen) ground wire.





Photos 16/17. Anchor detail.



The HVDC line is equipped with both the conventional shielding wire and OPGW (optical ground wire). DC line protection between the converter station and the transition compound will communicate via the optical fibres within the OPGW. The OPGW has to be periodically grounded to dissipate unwanted electric charge. Transmission tower termination/ grounding box is shown below.





Photos 21/22: HVDC line fibreoptic box.

Granite Canal Substation

The work is largely complete. The construction is still in progress in the switchyard and cabling installation is taking place in the control room. The IE inspected the control room and battery room installations and discussed the applied wiring methodology and hardware with the test technicians and EMERA managers. Protection and Control (P&C) installation has been completed and relay testing is in progress.





Photo 23. Details of Alstom test blocks and test lead connections.

Relay hardware from different manufacturers is being used (Photo 24).



Photo 24: Diverse relay hardware from ABB and Schweitzer Engineering Ltd is employed in HVAC protection system.

Construction site appears to be well kept and properly managed.



Cape Ray Landfall and Transition Compound Sites

Two individual subsea HVDC cables (each one approximately 168 km long) comprise the submarine link between Cape Ray(NL) and Point Acconi(NS) sites. The cables are first pulled up through the HDD landfall conduits through the utilization of a winch onshore and subsequently laid on the seafloor along the selected route. At the time of the IE visit Cable 2 (west) was already in place (Photo 25) laid out across the crossing and the Cable Lay Vessel (CLV), Skagerrak, was in process of installing the Cable 1 (east) (Photo 26). The cables are subsequently jointed to the land cables at the respective pull-in site (Photo 27). The protection of the subsea cables will commence with the burial of sections of the cables to predetermined burial depths.



Photo 25: Subsea Cable 2 (west) already pulled through the HDD casing, anchored and in process of jointing to the land cable.





Photo 26: Subsea Cable 1 (east) already pulled through the HDD casing and ready for jointing.



Photo 27: Jointing under controlled conditions of land and subsea Cable 2 (west).



The land cables have been laid in the trench between the shoreline landfall and the transition compound. The encasement of the cables in insulating thermal concrete was close to completion (Photo 28).



Photo 28: Land cables laid in trench and encased in protective thermal concrete.

At the transition compound site scaffolding has been erected for the termination installation at the head of each cable (Photo 29). The main gantry, several post insulators and the transition compound control building were erected as well (Photo 30).





Photo 29: Scaffolding erected for land cables termination installation at the transition compound.



Photo 30: Transition compound control building, main gantry and post insulators.



Bottom Brook AC Substation and Converter Station

The AC Substation installation was essentially complete with equipment installation at 95 percent and cable pulling and termination at 98 percent respective completion (Photos 31,32 and 33). The pre-commissioning of the Substation was ongoing with over 80 percent completion. The first outage period commenced at the time of the visit and it will result in the energization of all equipment associated with the NLH Transmission Line (TL)233. The next outage period will begin on June 22nd and is planned to end in mid-July with the energization of all equipment associated with the TL209.

The IE inspected the control room and battery room installations and discussed the applied wiring methodology and hardware with the test technicians and EMERA managers. Protection and Control (P&C) installation has been completed and relay testing was in progress. Review of the P&C drawings and test sheet samples demonstrated quality of recording and tracking of the Protection testing work appropriate for commissioning of electric utility protection systems.



Photo 31: AC Substation nearing completion.





Photo 32: AC Substation - main 230 kV lines' circuit breakers.

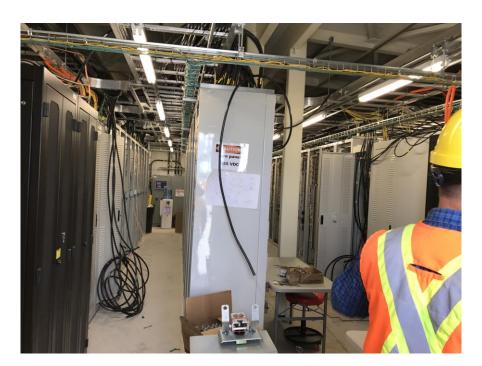


Photo 33: AC Substation Control building – ongoing cable termination.



The civil work for the Converter building has been completed. The interior and exterior panels of the building were fully installed (Photo 34). The HVDC electro–mechanical installation in the DC yard was approximately at 65 percent completion. The valve equipment installation in the Valve Rooms was ongoing (Photo 35). The main HVAC equipment installation on the mezzanine floor was close to completion (Photo 36).



Photo 34: Converter Station building (fully erected) and part of the AC yard.



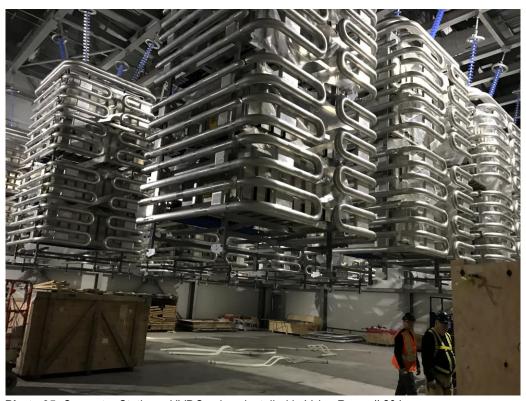


Photo 35: Converter Station – HVDC valves installed in Valve Room # 201.



Photo 36: Converter Station – HVAC equipment installed on mezzanine level.



The electro-mechanical installation was not yet ready for control and protection equipment installation. The IE viewed only the areas dedicated for this equipment.

The Converter transformers have been oiled and installed on their pads. Besides the standard non-electrical protections (Bucholz relay, oil level, temperature monitoring) these transformers are equipped with transformer gas analyzer (Photo 37) that will monitor presence of gases and moisture in the transformer insulating oil.



Photo 37: Converter transformer gas analyzer.

Systems Completion Plan Meeting in Bottom Brook Construction Office

Systems Completion Plan meeting and teleconference was conducted with the commissioning team managers and specialists. The Systems Completion Plan is to be formally accepted by the IE and incorporated into the Federal Loan Guarantee Agreement and the purpose of this meeting was to cover a number of related matters. Discussions are ongoing and based on current versions of the documentation that will be fine-tuned as required. The following preliminary comments are based on IE understanding of the current version of the Completion Plan.

- 1. IE was advised that the schedules are effectively maintained and project challenges, if any occur, are being dealt with. There appears to be no significant obstacles at this time.
- 2. Managers with their specialist staff have been given responsibilities for the commissioning of the HVAC and HVDC power apparatus, HVAC/ SCADA/ P&C/ Telecom and the DC converters with their controls. The commissioning team structure is appropriate for the Project with such diverse equipment groups. Overall responsibility for the integrated systems tests and performance testing has been assigned to Integrated System Commissioning specialist.
- 3. IE reviewed examples of the test result reports. The reporting appears to be comprehensive and it is properly filed for future reference and NERC (North American Reliability Corporation) certification, if required.



- 4. Inspection and Test Plan (ITP) register listing ABB's Factory Acceptance and Site Inspection and Test Plans was provided to the IE as part of EMERA's System Completion Plan. This method of tracking the equipment tests is acceptable.
- Equipment outages are being coordinated between the Construction agency, EMERA and the utilities. Formal energization process is/ will be followed from the construction phase to the commissioning and integrated systems testing. Final tests will include the power flow tests between the NS and NL utilities.
- 6. Bulk of the commissioning scope rests with the ABB. EMERA already accepted and signed off on the factory acceptance tests (FAT's). ABB's "E12-74 Converter Station Engineer, Procure, Construct Transmission System Tests/ System Completion Plan" Exhibit 15 (ref: 1292977.03B-WASSR01A-MSW)" is a part of the original Project documentation. ABB Inspection and Test Plan has been accepted by EMERA.
- 7. IE were given EMERA's System Completion Plan handout that contains organizational charts with assigned responsibilities, testing plan and sequential equipment certification process. Three distinct phases, static commissioning, dynamic commissioning and integrated tests (and certification) are standard practice. It is our opinion that this global commissioning framework is in line with good utility practice.
- 8. ABB's "Maritime Integrated Commissioning Plan 1JNL526076" Revision 3 dated 2017- 01- 24 was approved by Mr. Jeffrey Buckner, Sr. Construction Manager. This Commissioning Plan is intended to cover the entirety of the Maritime Link Project. It contains three individual plans, HVAC, HVDC and Telecommunications. Of special interest to the IE is the final phase, the System Tests. Those tests also refer to NSPML initiated testing such staged DC faults, AC system disturbances and faults, runbacks and disturbance in LIL (refer to page 3, Definitions). Staged System Tests details have not yet been made available to the IE. The Stage and Disturbance testing is also included in the Exhibit 15 (see Item 6. above).

Post Meeting Note 1: 'Additional Operational Tests' ITR 1JNL549453 that covers the DC faults tests has now been provided to IE.

Post Meeting Note 2: AC staged faults and currently being discussed with NSPI.

- 9. HVDC link controls testing has been discussed at length. Comprehensive testing of control features, operating sequences, interlocks and heat run are planned. Two ABB documents outline this testing:
 - a. Terminal Operation Testing (ref: 1JNL481094. A) proposes terminal operational test of the control modes in AC Voltage Control, Reactive Power Control and during loss of auxiliary power.
 - b. Power Transmission Operation (ref: 1JNL207409. A) outlines Pole 1 and Pole 2 tests in Active and Reactive Power Control, in AC voltage control, operation under reduced DC voltage condition, steady state operation at high power and in metallic return. Bipole will be tested in Active and Reactive Power Control and in steady state at high power. Black start and the heat run have been sketched in this document, the writers are unable to comment without additional explanation.

The IE noted that Exhibit 15- Transmission System Test/ Completion Plan prescribes additional tests that are not yet included in the above ABB's 'Maritime Integrated Commissioning Plan 1JNL526076'. Specifically, absent are Switching Operations Related to Runbacks, Emergency Power Control, Frequency Control, Damping Control, Disturbance Testing and Staged Faults.



<u>Post Meeting Note 1</u>: ITR's provided to IE subsequent to the June 2017 meeting cover the converter systems testing in comprehensive detail. Those documents are well structured and are appropriate for communicating the test instructions and recording the test results.

<u>Post Meeting Note 2</u>: EMERA advised that when the electric grid conditions are not suitable for carrying out the on-line testing, Real Time Digital Simulator (RTDS) and factory test results (FAT) will be accepted in lieu of carrying out live testing of some of the HVDC control features.

10. IE's were advised that PSCAD (power systems computer aided design) modeling, NERC studies and Utilities operational studies for various operating scenarios have been completed. Results of the studies led to development of operational guidelines. IE's did not review any operational studies or the operating protocols.

<u>Post Meeting Note</u>: Subsequent to this meeting an agreement was made to provide list of the operating instructions to IE for review of documents relevant to testing and operation of the ML.

3. NOVA SCOTIA PROJECT SITES – JUNE 8, 2017

In Nova Scotia the subsea cables will come ashore just west of the existing Point Aconi thermal generating station. The Nova Scotia portion of the project includes approximately 46 km of 200 kV HVDC transmission line from Point Aconi to the Woodbine converter station site, and 41.4 km of grounding line from Woodbine to the Big Lorraine grounding site. Associated infrastructure includes an onshore cable anchor and cable transition compound at Point Aconi, a transition compound, converter station and substation expansion at Woodbine, a marine ground at Big Lorraine, and two sections of underground (land) cable each of about 1 km length at Point Aconi and Woodbine. Most of the Nova Scotia rights of way (ROW) for the new lines either parallel or are close to existing access roads or existing transmission rights of way.

The team started from Sydney in the morning, stopped at the local Maritime Link project office for a safety briefing and to pick up safety vests and hard hats. The team then proceeded in sequence to the following sites:

Point Aconi Landfall and Transition Compound Sites

At this site Cable 2 (West) was already pulled in and placed in position for jointing with the land cable (Photo 38). It was expected that CLV Skagerrak will reach Point Aconi with Cable 1 (East) in the following week and will initiate the pull in operation (Photos 39 & 40).

The IE was informed that following the survey of Cable 2 (West), an issue was discovered that will require a repair. During the cable pull in operation the minimum bend radius (MBR) criteria was exceeded which also resulted in damaging the cable fiber optic strands designed for temperature sensing. This required a section of the cable to be replaced near Point Aconi site. The Contractor and NSPML team were working on the development of appropriate set of cable replacement procedures and establishment of proper safety parameters for monitoring the upcoming pull up of Cable 1 (East).

The land cables have been laid in the trench between the shoreline landfall and the transition compound (Photos 41 & 42). The encasement of the cables in insulating thermal concrete was ongoing (Photo 43).





Photo 38: Cable 2 (West) already pulled in and in position for jointing with the land cable.



Photo 39: Site prepared for Cable 1 (East) pull - in. Land cable in position for jointing.





Photo 40: Winch used for pull-in subsea cables through HDD casing.



Photo 41: Land cables in trenches entering landfall site for jointing to subsea cables.





Photo 42: Land cables in position for placement of protective concrete.



Photo 43: Land cables already encased in protective thermal concrete.



At the transition compound site scaffolding has been erected for the termination installation at the head of each cable (Photo 44). The main gantry, several post insulators and the transition compound control building were erected as well (Photo 45).

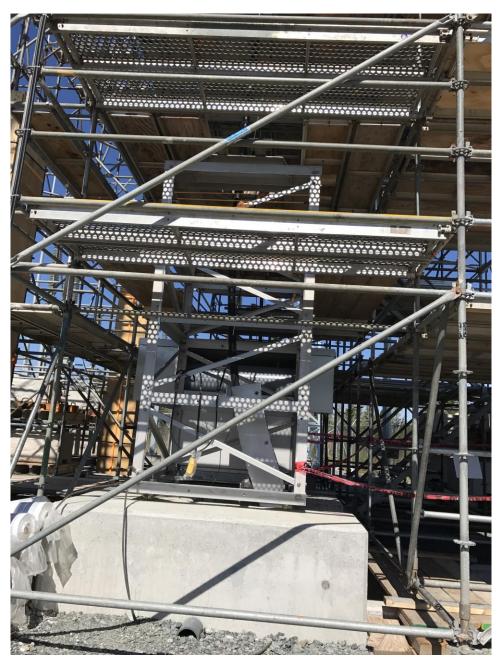


Photo 44: Scaffolding erected for land cables termination installation at the transition compound.





Photo 45: Transition compound control building, main gantry and post insulators.

Woodbine converter station / AC Substation

The civil work for the Converter building has been completed. The interior and exterior panels of the building were fully installed (Photo 46). The valve equipment installation in the Valve Rooms was ongoing (Photos 48 & 49). The main HVAC equipment installation on the mezzanine floor was close to completion (Photo 49). The electrical & mechanical installation in the DC yard was close to 50 percent completion, with installation of towers, gantries and equipment approximately 60 percent complete (Photo 47).

The mechanical equipment installation stage does not yet permit control or protection panels installation. The IE viewed the areas dedicated for this equipment. Converter transformers have been oiled and installed on their pads (Photo 51).





Photo 46: Converter Station building with the AC yard and part of the DC yard to the left.



Photo 47: Close-up of surge arresters bank at the AC yard as part of the neutral bus.





Photos 48 & 49: Converter Station - Valve Rooms at different stages of valves installation.

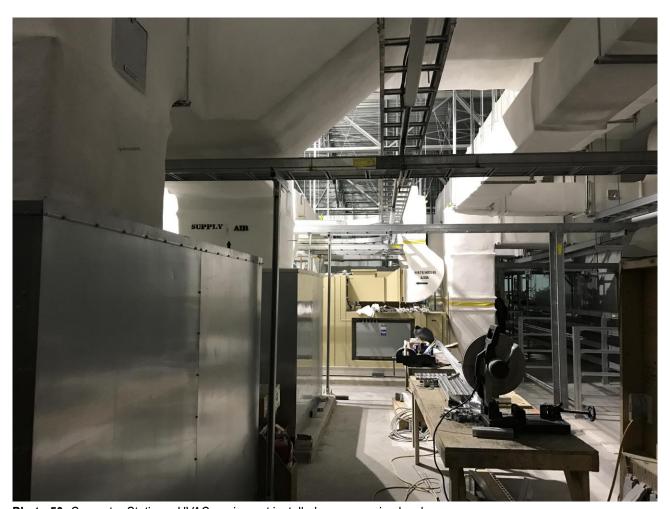


Photo 50: Converter Station – HVAC equipment installed on mezzanine level.





Photo 51: Woodbine converter transformer.

AC Substation work was nearing completion with 97% completion of equipment installation and cable pulling and terminations (Photos 51, 52 & 53). Pre-commissioning of the AC Substation was ongoing. The first outage period has started on June 3rd and energization of all equipment associated with TL 7014 was scheduled for July 4th. The IE inspected the control room (Photos 54 & 55) and battery room installations and discussed the applied wiring methodology and hardware with the test technicians and EMERA managers. Protection and Control (P&C) installation was in progress. In order to comply with NERC Critical Infrastructure Protection requirements, redundant and independent protections systems are being installed in ML substations. The IE was advised that at Woodbine, there will be two separate substation buildings, one for Protection A systems and another one for Protection B systems. This approach was deemed to be the most efficient given the complexity of separating existing A and B protection in the existing control building. It also assisted in maintaining the Protections reliability when phasing in the equipment and it is in compliance with NSPI standards for new protection and control installations.





Photos 52: Woodbine - AC Substation work nearing completion.



Photos 53: AC Substation yard.





Photos 54: AC Substation autotransformer.



Photos 55: AC Substation control building.





Photos 56: Interior view of AC Substation Control building - ongoing installation and testing of protection and control panels (some of them already energized).

4. COMMENTS

- It was evident that the work on site is proceeding with good quality and safety awareness, and with the exception of the NL portion of the HVDC transmission line, it is within the baseline schedule.
- Consequent to the site visit NSPML reported that the subsea Cable 2 (West) repair was successfully completed along
 with the pull in of Cable 1 (East) at the HDD site at Point Aconi and after confirmation of cable integrity the CLV
 Skagerrak was demobilized from site. There was no impact to the critical path of the schedule. An insurance file has
 been opened to address the costs relating to this repair.