# 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 Regulations, N.S. Reg. 189/2012

# **NSPML Quarterly Report**

**December 13, 2013** 

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1	1.0	INTRODUCTION
2		This is the first of the greatesty sensets that NCDMI will file with the Htility and Devices.
3		This is the first of the quarterly reports that NSPML will file with the Utility and Review
4 5		Board (UARB), as directed in the UARB's Decisions regarding the Maritime Link.
6		In its Decision dated July 22 <sup>nd</sup> , 2013, the Board agreed with Enerco's reporting
7		recommendations, and directed as follows:
8		recommendations, and directed as follows.
9		[405] Enerco, in Undertaking U-31, recommended filing of various reports
10		by NSPML during the design and construction phase of the ML Project. The
11		Board has reviewed Enerco's recommendations and generally agrees that
12		given the size of the ML Project and that the final engineering design and
13		tender awards are not completed, it is appropriate for NSPML to provide
14		regular reports to the Board.
15		
16		[406] NSPML, in its Closing Brief, also agreed with Enerco's
17		recommendations. However, NSPML suggested that before the Board
18		finalizes its reporting requirements, it would like to meet with Board staff to
19		better understand the information being requested. The Board agrees this
20		would be an efficient process. The information noted above by NSPML at
21		pages 56-57 of its Closing Brief could form the basis for the discussion. The
22		Board directs that it receive reports no later than June 15 <sup>th</sup> and December 15 <sup>th</sup>
23		of each year, unless otherwise directed by the Board. As noted earlier, the
24		Board believes independent engineering reports will be critical to keeping the
25		Board informed. The Board expects this consultation process to be carried
26		out expeditiously and Board staff is to report back to the Board for approval
27		of the reporting requirements by October 15, 2013.
28		
29		NSPML Regulatory staff met with UARB staff on September 25, 2013 to reach agreement
30		on reporting conditions.
31		NSPML's Compliance Filing, filed October 21, 2013, referred to the UARB Condition as
32		follows:

1	Condition:
2	4. NSPML will file regular update reports with the UARB on June 15 and
3	December 15 of each year, as well as other oversight requirements which
4	will be fully established following discussions between NSPML and UARB
5	staff about the details.
6	Response:
7	NSPML agrees and accepts this condition. NSPML met with UARB staff on
8	September 25 and we are in agreement about the nature and timing of these
9	requirements. UARB staff undertook to report to the UARB prior to October
10	15 as directed.
11	
12	On November 8, 2013, the UARB filed a Memorandum confirming NSPML's intent to
13	provide regular reporting updates.
14	
15	Additionally, the UARB ordered the following in its Supplemental Decision:
16	
17	[115]detailed reports must be filed by NSPML on a semi-annual basis, on June
18	15 and December 15 each year. The reports shall commence December 15, 2013.
19	Updated status reports must be filed quarterly.
20	
21	[116] NSPML's Decision Gate 3 report must be filed by December 15, 2013
22	
23	[117] All items identified in Enerco's Undertaking U-31 will be included in
24	NSPML's reports, as amended to reflect the latest updated project schedule: see the
25	revised Articles 3.1-3.3 in Exhibit M-141.
26	
27	As detailed in Enerco Undertaking 31, this report will provide updates on the following:
28	1) Design and construction
29	• An updated quarterly schedule (as per Enerco U-31, item 1.1)
20	A should result a section of a second size of force of the second section of the section of the second section of the section of the second section of the sec
30	• A short explanation of any variance from the previous quarter affecting
31	any of the line items in the quarterly schedule (as per Enerco U-31, item
32	1.2)

1	• A short status report for key activities (as per Enerco U-31, item 1.3),
2	and as per the Maritime Link Cost Recovery Process Regulations, s. 7
3	(2) (a).
4	<ul> <li>An updated detailed semi-annual schedule, based on the 8-page MLP</li> </ul>
5	Summary Schedule of Enerco IR-8, Attachment 1 (as per Enerco U-31,
6	item 1.4)
7	2) Construction Cost Summary
8	<ul> <li>An updated cost summary, based on the financial table (reference</li> </ul>
9	Enerco IR-25, Attachment 1, page 12), but extended to the end of the
10	construction period, including commissioning. This is based on Decision
11	Gate 3 costs (as per the Maritime Link Cost Recovery Process
12	<i>Regulations</i> , s. 7 (2) (b)).
13	<ul> <li>A project cost flow based on the "MLP 2013 Cost Flow (reference</li> </ul>
14	Enerco IR-25 Attachment 1 page 13), extended to the end of the
15	construction and commissioning period, showing the total anticipated
16	cost.
17	3) Significant Updates since Application
18	• As per Maritime Link Cost Recovery Process Regulations, s. 7 (2) (c)

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 Level
4		1 Project Schedule, along with a variance explanation and general status updates.
5		
6		Please refer to Attachment 1 for the Project Schedule.
7		
8	2.1	Commercial Activities
9		
10		Key commercial activities are captured through the project work breakdown structure
11		(WBS), which outlines subcategories of work required to fulfill the design and operational
12		objectives of the Maritime Link. In addition to each WBS, there are commercial initiatives
13		which include specific work scopes or multiple scopes of similar types of work that are
14		present within more than one WBS. These initiatives are then numbered for each
15		commercial activity, such as tree clearing or submarine cable supply and installation.
16		
17		Please refer to Attachment 3 for the schedule of commercial activities (initiative numbers)
18		which are in progress or planned for the coming six month period. Within the schedule, the
19		initiative number, description, expected market solicitation process and steps as well as
20		target dates are represented. The target dates are coordinated with the Project Schedule and
21		updated periodically as necessary.
22		
23		The key major commercial activities that are currently active are outlined in Table 1 below

Table 1

<b>Commercial Activity</b>	Status	Initiative Number
HVDC Submarine Cable Supply and Installation	Evaluation complete, Contract award pending approval	E11-88
Converter stations, switchyards and related structures ("converters and structures")	Proponents' evaluation in progress, contract award forecasted for Q1/Q2, 2014	E12-74
Right of Way Clearing along Transmission Lines	Proponents evaluation in progress, contract award forecasted for Q1, 2014	E13-88
Transmission Structures and Grillages	Proponents evaluation in progress, contract award forecasted for Q1, 2014	E13-85
Site Preparation Services (Includes construction of access road upgrades)	RFP issued in Q4 2013, contract award forecasted for Q2, 2014	E13-92
Transmission Line Construction	RFP issued in Q4 2013, contract award forecasted for Q3, 2014	E13-95
Transmission Line Conductors	RFP to be issued in Q1, 2014, contract award forecasted for Q3, 2014	E13-87
HDD Construction Program	RFP to be issued Q4, 2014 with contract award forecasted for Q2, 2015	E13-137

	RFP to be issued in Q1,	
Accommodations	2014, contract award	E13-89
	forecasted for Q3, 2014	

1 2

### 2.1.1 Land Access Agreements

NSPML has been engaged with landowners identified along the main transmission routes in Nova Scotia and Newfoundland and Labrador ("NL") since early in 2013. Open house activities in both provinces have been completed and will be scheduled again to update landowners as the project progresses, including the communication of grounding line location and grounding site updates.

Documentation for land and submarine access rights required from the provincial and federal governments have been attained.

In Nova Scotia, NSPML has identified the affected landowners along the primary HVDC transmission route from Point Aconi to Woodbine, and along the grounding line from Woodbine to Big Lorraine. NSPML is currently in negotiations or has completed agreement with landowners to allow access to their lands and ultimately secure right of way requirements to complete the project.

In Newfoundland, NSPML has identified the affected private property landowners and discussions are ongoing regarding the primary HVDC and HVAC routes.

Land acquisition activities are progressing and align with the scheduled start of tree clearing activities.

### 2.1.2 Funding – Schedule Reserve and Allowances

The conditions that must be satisfied in order for the Maritime Link Project to receive the Federal Loan Guarantee ("FLG") are described in Section 3.5 of the Federal Loan Guarantee Agreement dated November 30, 2012 between the Governments of Canada

1		("Canada"), Nova Scotia ("NS") and NL, and Nalcor and Emera (the "FLG Agreement";
2		please refer to Appendix 4.03 of the Maritime Link Project Application). NS recently
3		executed an agreement with Canada under which NS agrees to indemnify Canada for any
4		costs incurred under the FLG as a result of certain regulatory changes. This agreement
5		satisfied the condition in Section 3.5 A(vi) of the FLG Agreement. Emera recently
6		executed: (i) a Payment Obligation Agreement providing for payment of \$60 million by
7		Emera to Canada if the milestone dates for "Financial Close" (as defined in the FLG
8		Agreement) and for the advance of FLG-guaranteed debt are not met, and (ii) a Completion
9		Guarantee for the ML Project. These agreements satisfied the condition in Section 3.5
10		A(viii) of the FLG Agreement. Canada has now confirmed to NSPML that all of the
11		conditions in Section 3.5 A of the FLG Agreement have been satisfied. NSPML continues
12		to work to satisfy the conditions in Section 3.5 B of the FLG Agreement, including
13		negotiation and execution of the documentation required for Financial Close. NSPML
14		expects to achieve Financial Close no later than mid-March, 2014.
15		
16	2.1.3	Joint Development Agreements
17		
18		The original agreements were completed and signed on July 30, 2012.
19		
20		The Sanction Agreement dated December 17, 2012 between Emera and Nalcor amended
21		certain of the original Commercial Agreements concerning the ML Project to which Emera
22		and Nalcor are party. The Sanction Agreement also contemplated (but did not require) that
23		formal amendments would be made to those Commercial Agreements to reflect the terms of
24		the Sanction Agreement. The Agreements have not been amended at this time.
25		
26	2.2	Engineering Activities
27		
28		Commissioning of the Maritime Link aligns with the in-service Decision Gate 3 (DG3)
29		target date of October 1, 2017. This schedule reflects the submarine cable supply
30		availability and installation optimization. Engineering is captured in three main categories
31		across several WBS's:

28

1		• HVDC Submarine Cable Supply and Installation – cable design and manufacture is
2		being engineered by the supplier of the cable and will include acceptance by
3		NSPML of performance criteria consistent with service life and reliability targets
4		required by NSPML. The horizontal directional drilled (HDD) bore trajectories are
5		being designed under a separate engineering contract which is presently under
6		negotiation with work to commence in Q1, 2014. The interface criteria requirements
7		of the cable within the boreholes has been identified within the cable supply
8		contract.
9		
10		HVDC converter and structure engineering is included in the commercial initiative
11		for supply and installation of these assets which is presently under commercial and
12		technical evaluation. Civil site requirements and shoreline grounding facilities are
13		being engineered and work completed outside the scope of the main contract.
14		
15		• Overland transmission and grounding site engineering is being completed under a
16		separate engineering design service agreement. The design of steel lattice tower
17		configurations is being completed under the transmission structures and grillages
18		supply contract which is presently under commercial and technical evaluation.
19		
20	2.3	Submarine Cables (Marine)
21		
22		NSPML has selected Mass Impregnated (MI) cable for the Maritime Link and is moving
23		forward with the design, supply and installation, and testing and commissioning of the two
24		submarine cables and land cables. Design will be initiated upon completion of contract
25		terms.
26		
27		The installation is planned to commence in Q2, 2017 and be completed by Q3, 2017 based

upon the preferred technology availability.

1	2.4	Converter Stations
2		
3		The installation date was extended to accommodate an increased scope to include the
4		converter stations as well as 3 substations. These components are expected to be completed
5		by Q3 2017 pending award and start of detailed design in 2014.
6		
7		The technical specification for the Converter and structures has been completed and the RFP
8		for the Converter and structures EPC contract has been issued and closed. Technical and
9		commercial evaluation of proposals is currently in progress.
10		
11	2.5	Construction Contractor – Transmission Lines
12		
13		Commencement of transmission line construction is scheduled for Q4, 2014 to allow for the
14		completion of activities to attain geotechnical information required for the design and
15		development of the transmission structures, procurement processes and land-owner
16		engagement. Line routes have been established and geotechnical investigations are now
17		completed. Line design is in progress and Request for Proposals (RFPs) for the steel
18		structure and grillages have been issued and closed and the evaluation of proposals is in
19		progress.
20		
21	2.6	Construction Contractor – Compounds/Other
22		
23		NSPML has finalized the grounding site locations with Big Lorraine being chosen in Nova
24		Scotia and Indian Head, St. Georges Bay in NL. Geotechnical evaluation of the sites is
25		underway to allow for detailed design to be completed. The scope of work is being
26		developed for all site preparation and will be incorporated in a commercial initiative for
27		release to market through an RFP early in 2014.
28		
29		Grounding line routes for both Nova Scotia and NL have been established. Geotechnical and
30		land survey has been completed with design currently in progress.

1	Conceptual design of the telecommunication system in both Nova Scotia and NL has been
2	completed, and detailed design is in progress. The telecommunication system is required for
3	Maritime Link protection and control systems and to manage energy flows. The converter
4	stations will typically be operated remotely from NS Power and Newfoundland and
5	Labrador Hydro control centers in Halifax and St. John's. Redundant communication paths
6	are required to meet system reliability criteria.
7	
8	As well, site preparation civil design for the switching stations is in progress for
9	construction sites in both Nova Scotia and NL.

### 3.0 UPDATED COST SUMMARY

As per Enerco U-31, section 2.1, and as per section 7 of the *Maritime Link Cost Recovery Regulations* the detail below outlines the DG3 forecasted costs.

Table 2 below provides an update on actual spending on the Maritime Link to the end of Q3, 2013 as well as a forecast spend for Q4, 2013 and the 2014 – 2017 period totaling the DG3 project capital cost estimate of \$1.577 billion, which is within the \$1.4 to \$1.7 billion range as outlined in NSPML's Application of January 28, 2013. More details on the DG3 capital cost estimate are provided below.

Explanatory notes are listed below the table.

### Table 2

	Actual Spend	Actual Spend + Q4 Forecast	Forecast	Total
	2011 and			
	2012	2013	2014-2017	DG3
AC and DC transmission	\$ 2,481	\$ 13,852	\$ 292,037	\$ 308,370
Converters, Structures, and other Ancillary Equipment		8,540	565,919	574,459
Submarine and related	2,716	8,271	295,220	306,207
Project management and other	21,571	46,937	145,456	213,964
	\$ 26,768	\$ 77,600	\$1,298,632	1,403,000
Add: Escalation and Contingency				174,354
Total DG3 Capital Cost Estimate				\$1,577,354

### Notes:

- 1. In response to Enerco IR-25, NSPML provided a 2013 Budget of \$74.5 million. The 2013 actual and forecasted spending for 2013 is now forecasted at \$77.6 million. The difference relates to costs that were originally budgeted in 2012 being deferred to 2013.
- 2. "AC and DC transmission" include the HVAC transmission line in NL, the HVDC transmission lines in NL and NS as well as grounding lines in NL and NS.

- 3. "Converters, structures, and other ancillary equipment" includes the supply and installation of a converter station in NS, a converter station in NL, three switchyards, three transition compounds, shoreline grounding facilities, ancillary equipment as well as other necessary infrastructure including site civil development.
  - 4. "Submarine and related" includes the supply and installation of two submarine Mass Impregnated cables across the Cabot Strait as well as Horizontal Directional Drilling and related works.
  - 5. "Project management and other" includes project team costs, environmental assessment and monitoring, legal, regulatory, insurance and land activities.

### DG3 Capital Cost Estimate

As noted above, NSPML has updated the Maritime Link capital cost estimate at DG3.

A summary of the DG3 capital cost estimate as compared to Decision Gate 2 is provided below:

### Table 3

	Capital Cost Estimate	(	Capital Cost Estimate		
Major Activity	at DG3		at DG2	Delta	
AC and DC transmission	\$ 308,370	\$	301,709	\$	6,661
Converters, Structures, and other Ancillary Equipment	574,459		384,156		190,303
Submarine and related	306,207		280,949		25,258
Project management and other	213,964		205,472		8,492
	1,403,000		1,172,286		230,714
Add: Escalation and Contingency	174,354		216,206		(41,852)
Total Capital Cost Estimate	\$ 1,577,354	\$	1,388,492	\$	188,862

The Decision Gate 3 capital cost estimate is based upon market responses to Request for Proposals on the Submarine cables contract and Converter and structure contracts, plus market RFP responses on Right of way clearing and Transmission towers and grillages costs. Consequently, the Decision Gate 3 capital cost estimate is based upon market pricing

for approximately 50 percent of the estimated cost of the Maritime Link and thus has a

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higher degree of confidence than the estimate at Decision Gate 2 due to market based pricing which is now secured.

The market based cost of the major electrical components and installation costs resulted in the largest increase from Decision Gate 2.

As outlined in the Application, the estimated capital cost of the Maritime Link is added to the estimated capital cost of the Nalcor lead projects (Muskrat Falls, Labrador Transmission Assets and Labrador-Island Link) and Nova Scotian customers will pay 20 percent of the total. Twenty percent of that total is \$1.5554 billion as outlined below:

20 percent of total	\$1.5554 billion
Total:	\$7.777 billion
Maritime Link Decision Gate 3 capital cost estimate:	\$1.577 billion
Total Nalcor Decision Gate 3 capital cost estimate:	\$6.20 billion

This updated capital cost estimate is within the UARB approved range of \$1.52 to \$1.58 billion.

As part of finalizing the Maritime Link Decision Gate 3 capital cost estimate, Emera and Nalcor agreed to await the outcome of actual costs in respect of currently estimated cost components. The parties have agreed that Nalcor will be responsible for any difference between the \$1.5554 billion (being 20 percent of the total estimated capital cost estimates) and the final actual capital costs of the Maritime Link, up to \$1.577 billion. Any such adjustment will be payable by Nalcor no later than 30 days after the actual capital costs of the Maritime Link are finally determined. Any actual capital costs of the Maritime Link in excess of the \$1.577 billion shall be dealt with in accordance with the provisions of the Maritime Link Joint Development Agreement. As a result, the 20 For 20 True Up calculation has not resulted in a payment by either party, at this time, pending determination of actual costs on the Maritime Link. Any change in cost of the Nalcor lead projects do not impact Nova Scotia customers.

8

1	4.0	COST FLOW
2		
3		As per Enerco U-31, section 2.2, please refer to Attachment 2 for the cost flow until the
4		Maritime Link is commissioned. The cost flow in this attachment provides a base capital
5		spending forecast of \$1.403 billion. Escalation and contingency in the amount of \$174
6		million will be allocated to appropriate accounts when necessary to account for expenditures
7		associated with project risks. The total of the base capital spending and the escalation and

contingency amounts to \$1.577 billion.

# 1 **5.0 DETAILED SCHEDULE**

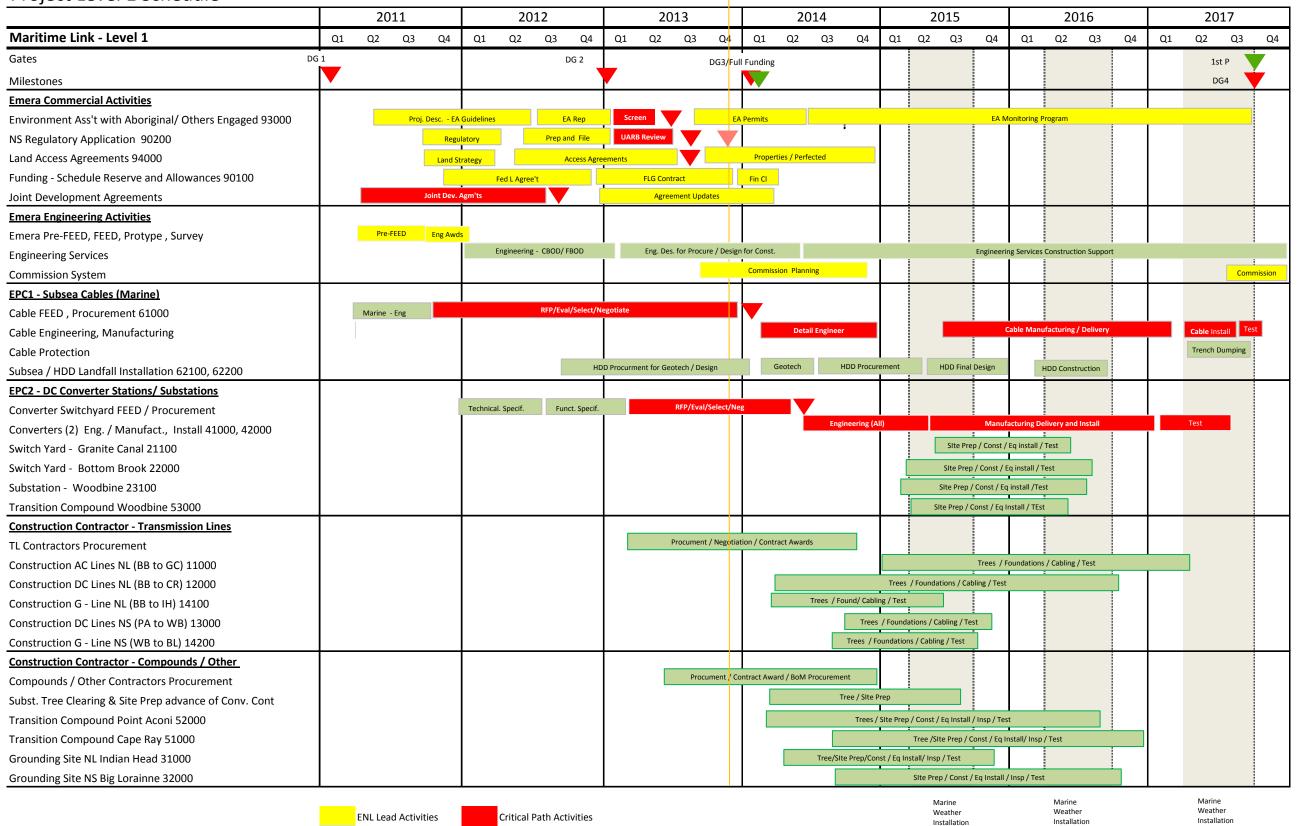
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3 As per Enerco U-31, section 1.4, please refer to Attachment 3 for a detailed schedule.

1	6.0	SIGNIFICANT UPDATES SINCE APPLICATION
2		
3		As per the Maritime Link Act Regulations, section 7(2) (c), this section details material
4		decisions that have been made since the original Application for approval was filed.
5		
6	6.1	Selection of Cable
7		
8		As noted in section 2.3 above, NSPML has selected the MI cable as it is the most proven
9		submarine cable technology that has been in-service for over 40 years, and will be the most
10		cost effective solution for the Maritime Link project.
11		
12	6.2	Grounding Site Selection
13		
14		As described in section 2.6 above, the grounding sites, which were outstanding during the
15		hearing process, have now been selected.
16		
17		Grounding sites were chosen through an evaluation of multiple technical and environmental
18		considerations.
19		These considerations included:
20		• Depth of Water
21		Water Salinity
22		Soil Resistivity and Ground Potential Rise
23		• Accessibility
24		• Wave Shelter
25		Environmental Impact
26		Feasibility of Grounding Line Routing

- 1 The chosen sites satisfied the technical requirements while minimizing the environmental
- 2 impact.

# Project Level 1 Schedule

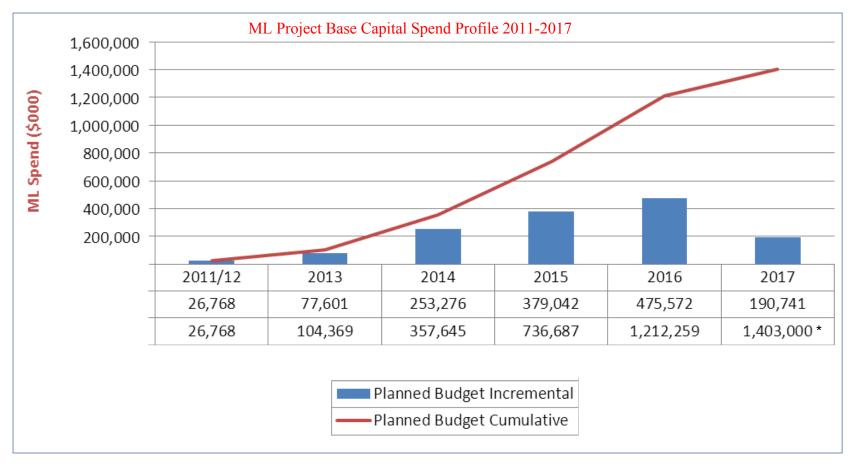


Milestones

Other Lead Activities

Installation Window 1

Window 3

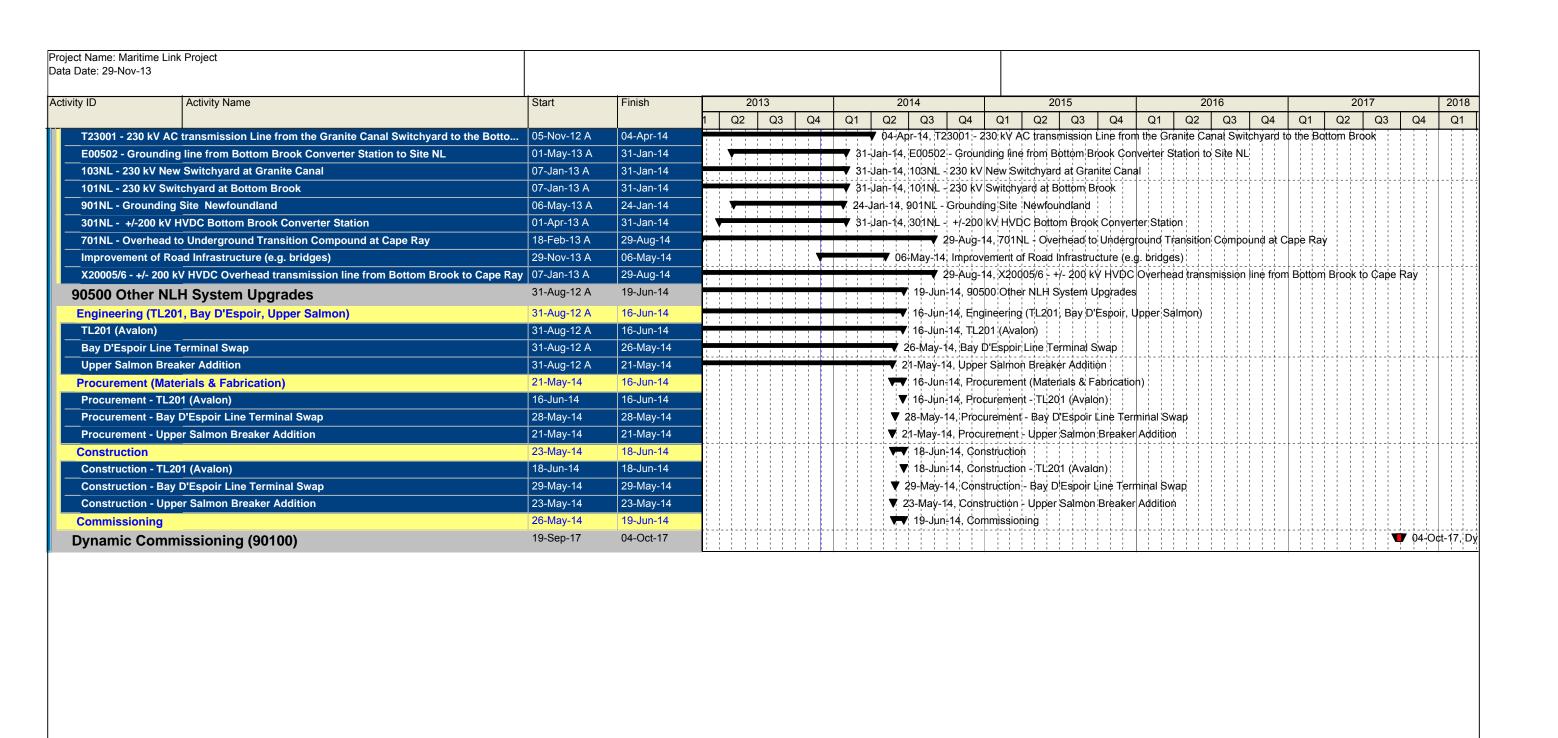


<sup>\*</sup> Note: The \$1.403 billion represents base capital spending. Escalation and contingency of \$174 million will be allocated to appropriate accounts when necessary to account for expenditures associated with project risks. Base capital spending plus escalation and contingency amounts to \$1.577 billion.

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**MLP Summary Schedule** 

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Emera Newfound and & Labrador