

NON-CONFIDENTIAL

1 **Request IR-1:**

2
3 **Please describe the circumstances in which the DSRA balance might be utilized and**
4 **require replenishment of the balance, an increase in the letter of credit, or drawing upon**
5 **the letter of credit.**

6
7 Response IR-1:

8
9 The DSRA must always equal the Minimum DSRA Requirement as defined in the ML Credit
10 Agreement (“MLCA”). Any shortfall must be addressed by the deposit of additional cash to the
11 DSRA or provision of a new (or increase to an existing) letter of credit; any excess cash in the
12 DSRA is transferred to the Borrower Project Funding Account (section 8.3.3 of the MLCA),
13 while any excess letter of credit value may be reduced. A letter of credit would therefore only
14 ever be increased to ensure the DSRA balance equals the Minimum DSRA Requirement (that is,
15 in the event of a cash withdrawal or shortfall).

16
17 The Collateral Agent may only access the DSRA funds (including any letter of credit) if there
18 exists an ML Event of Default. Pursuant to section 14.1 of the MLCA, the occurrence of an ML
19 Event of Default first triggers a 150-day consultation period during which the parties must work
20 collaboratively to resolve the ML Event of Default. During the consultation period, the Collateral
21 Agent may only access the DSRA funds to pay due and outstanding amounts on the ML
22 Construction Loan.

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1 **Request IR-2:**

2
3 **Is the DSRA balance in December 2052 refundable to customers, or does it represent an**
4 **obligation of NSPML? Please provide all supporting documentation, that NSPML relies on**
5 **in making this determination.**

6
7 Response IR-2:

8
9 Section 8.3.3 of the ML Credit Agreement (“MLCA”) provides that any cash in the DSRA not
10 required to meet the Minimum DSRA Requirement is to be transferred to the Borrower Project
11 Funding Account (“BPFA”). Section 8.1.2 of the MLCA details how funds in the BPFA are
12 applied in the Operating Period. In any year where excess cash is transferred from the DSRA to
13 the BPFA, the effect will be to reduce NSPML’s cost recovery from NS Power and consequently
14 NS customers.

15
16 If NSPML does not withdraw any of the existing cash from the DSRA, based on the forecast the
17 DSRA balance would exceed the Minimum DSRA Requirement beginning in the second half of
18 2049 and continue to do so on every semi-annual Minimum DSRA Requirement Fixing Date
19 thereafter. As a result, in each semi-annual period NSPML’s cost recovery from NS Power
20 would be reduced by the amount of the excess in those years through to the final payment on the
21 ML Construction Loan in December 2052.

22
23 Conversely, if NSPML withdraws funds from the DSRA in 2021 as described in the Application,
24 there would be less cash on hand in the DSRA in 2049-2052 to facilitate a reduction in cost
25 recovery from NS Power in those years as described above, as the funds would have been used
26 as proposed now to offset costs for customers in the 2021 operating period.

NON-CONFIDENTIAL

1 **Request IR-3:**

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3 **Please provide a copy of the letter of credit terms and conditions. If the actual or a**
4 **proposed letter of credit is not yet available, please provide all documentation, including**
5 **working papers, that NSPML may be relying upon to conduct its due diligence on terms**
6 **and conditions.**

7

8 Response IR-3:

9

10 Please refer to Attachment 1 for a copy of the Letter of Credit (“LC”). This LC is for \$20
11 million as that is the current requirement for NSPML to meet the Minimum Debt Service
12 Requirement as defined in the ML Credit Agreement. The amount of this LC will be amended as
13 required on a go forward basis to meet NSPML’s Minimum Debt Service Requirement.

14

15 Please also refer to CA IR-5 for further details relating to the LC arrangement.

16



The Bank of Nova Scotia

Trade Services Centre
4th Floor, 1 St. Clair Avenue East
Toronto, Ontario M4T 1Z3
Tel: 1-888-722-3867
Fax: 416-866-4286
SWIFT: NOSCCATTPG

**Irrevocable
Standby Letter of Credit No.:
OSB64756GWS**

Beneficiary:

Toronto Dominion Bank in its
Capacity as Collateral Agent, TD
Bank Tower, 9th Floor 66 Wellington
St. W. Toronto ON M5K 1A2 Canada

Applicant:

NSP Maritime Link Incorporated
1223 Lower Water Street
Halifax, NS B3J 3S8 Canada

Date of Issue:

August 20, 2020

Date and Place of Expiry:

August 19, 2021 at our counters

Amount:

CAD 20,000,000.00 Twenty Million Canadian Dollars

WHEREAS we are advised that NSP Maritime Link Incorporated, having its head office at 1223 Lower Water Street, Halifax, NS B3J3S8 (hereinafter referred to as 'NSPML' or the 'Applicant') is party to that certain Maritime Link Credit Agreement made as of February 24, 2014 (hereinafter referred to as the 'ML Credit Agreement') with The Toronto-Dominion Bank, having its head office at TD Bank Tower, 9th Floor, 66 Wellington St. W., Toronto, ON M5K1A2, in its capacity as the Collateral Agent (hereinafter referred to as the 'Beneficiary') and BNY Trust Company of Canada, having its head office at 320 Bay Street, 11th Floor, Toronto, ON M5H4A6, as Issuer Trustee of Maritime Link Financing Trust, for the purpose of governing the lending to and repayment by NSPML of the ML Construction Facility in connection with the development, construction and closing of financing of the Maritime Link Project;

AND WHEREAS we are further advised that under Article 8.3.2 of the ML Credit Agreement, NSPML must maintain an amount equal to the Minimum DSRA Requirement, such amount being determined from time to time at the Minimum DSRA Requirement Fixing Date, by means of cash on deposit in the Debt Service Reserve Account together with any Letter of Credit delivered by NSPML to the Beneficiary;

AND WHEREAS we are further advised that under Article 8.3.5 of the ML Credit Agreement, NSPML is permitted at any time during the Operating Period to deposit with the Beneficiary a Standby Letter of Credit for any amount up to the Minimum DSRA Requirement;

AND WHEREAS we are further advised that NSPML and the Beneficiary have agreed that, to fulfill the intent of



The Bank of Nova Scotia

the ML Credit Agreement, the Beneficiary must be entitled to exercise its rights under this Letter of Credit if (i) NSPML is in Default under the ML Credit Agreement or (ii) by the Presentment Time (as defined below) on any FV Payment Date, NSPML fails to deposit to the FV Payment Account the FV Payment Amount (as those terms are defined in the ML Credit Agreement);

NOW THEREFORE, we, The Bank of Nova Scotia, Montreal Trade Service Centre, 1800 McGill College Avenue, 10th Floor, Montreal, QC H3A 3K9 (hereinafter referred to as the 'Bank'), hereby establish, at the request and for the account of the Applicant, in your favor, our Irrevocable Standby Letter of Credit No. OSB64756GWS (the 'Letter of Credit') in the amount of CAD 20,000,000.00 (Twenty Million Canadian Dollars) (the 'Maximum Amount'), effective immediately.

We hereby irrevocably authorize you to draw on us, in one or more drawings, in an aggregate amount not to exceed the Maximum Amount of this Letter of Credit as set forth above and in accordance with the terms and conditions herein set forth, by your draft (in the form of Annex A attached hereto, with blanks appropriately completed; such completed draft being herein referred to as a 'Draft'), accompanied by a certificate purportedly signed by your representative (in the form of Annex B attached hereto, with blanks appropriately completed; such completed certificate being referred to as a 'Certificate'; and such Draft accompanied by such Certificate being your 'Drawing'). Each Drawing shall be drawn on our above-mentioned office and shall be payable at sight in accordance with the terms hereof and shall pro tanto reduce the Maximum Amount of the Letter of Credit.

The Drawing shall be presented at our office located at 1800 McGill College Avenue, 10th Floor, Montreal, Quebec, Canada H3A 3K9; To: The Bank of Nova Scotia, Attention: Montreal Trade Service Centre (or at any office which may be designated by us by written notice delivered to you). If we receive your Drawing at such office, all in conformity with the terms and conditions of this Letter of Credit, not later than the Presentment Time (defined below) on any Presentment Date (defined below), we will honor the same on the second Business Day following the Presentment Date, not later than 4:00 p.m. (Montreal time), in accordance with your payment instructions. If we receive your Drawing at such office, all in conformity with the terms and conditions of this Letter of Credit, after the Presentment Time on any Presentment Date, we will honor the same on the third Business Day following the Presentment Date not later than 4:00 p.m. (Montreal time) in accordance with your payment instructions. As used herein, the term 'Business Day' means any day of the year except a Saturday, Sunday or any other day on which commercial banks in Montreal are authorized or required by law to close; and the term 'Presentment Time' shall mean 12:00 p.m. (Montreal time) on any Presentment Date; and the term 'Presentment Date' shall mean any Business Day on which the Drawing is presented to us in accordance with the terms hereof. If you instruct us to make payment under this Letter of Credit by wire transfer, we will no later than 4:00 p.m. (Montreal time) on the day on which we are to make payment to you hereunder, give payment instructions to effect payment to you in same day funds.

If your draw request is not in conformity with the terms and conditions of this Letter of Credit, we will send you written notice thereof (with reasonable detail as to our determination) via email to: TD.LoanSyndications-Agency@tdsecurities.com to the attention of Vice President, Loan Syndications-Agency or written notice sent by courier to the beneficiary at the applicable address noted herein, within 2 Business Day immediately succeeding the Presentment Date.

This Letter of Credit shall automatically be extended without amendment for successive one (1) year periods from the present and any future Expiration Date hereof unless (a) we provide you with written notice of our election not to extend this Letter of Credit at least thirty (30) days prior to any such Expiration Date; (b) you surrender to us this Letter of Credit for cancellation; provided, however, that, in the case of clause (a) above, you may draw



The Bank of Nova Scotia

hereunder, on or before the then current Expiration Date, up to the available amount by means of your written demand stating that you are drawing under this Letter of Credit because we have elected not to extend it. However, in no event shall this Letter of Credit be extended beyond December 1, 2052 (the 'Final Expiry Date').

This Letter of Credit is not transferable in whole or in part.

By paying you an amount demanded in accordance with this Letter of Credit, we make no representation as to the correctness of the amount demanded or your representations on the certificates required of you by this Letter of Credit.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein, except the Draft and the Certificate, subject to the ISP referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for the Draft and the Certificate.

Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at 1800 McGill College Avenue, 10th Floor, Montreal, Quebec, Canada H3A 3K9 To: The Bank of Nova Scotia, Attention: Montreal Trade Service Centre, Facsimile No. 514-281-8813, specifically referring to the number of this Letter of Credit, and shall be executed by one of your authorized signatories.

This Letter of Credit is subject to the 'International Standby Practices 1998' published by the International Chamber of Commerce (the 'ISP'), which is incorporated into the text of this Letter of Credit by this reference. As to matters not covered by the ISP and to the extent not inconsistent with the ISP, this Letter of Credit shall be governed by and construed in accordance with the laws of the Province of Ontario.

The Bank of Nova Scotia
Montreal Trade Services Centre

Name: Agnes Cecilia Tio
Title: Analyst

Agnes Cecilia Tio
Rodrigo Pacheco

Name: Rodrigo Pacheco
Title: Manager

P1543

Rodrigo Pacheco



The Bank of Nova Scotia

Annex A

Form of Draft

Date: (Insert Date)

To: The Bank of Nova Scotia
1800 McGill College Avenue,
10th Floor, Montreal, Quebec,
Canada H3A 3K9

Attention: Montreal Trade Service Centre

Irrevocable Standby Letter of Credit: OSB64756GWS

On sight, pay to the order of The Toronto-Dominion Bank, TD Bank Tower, 9th Floor, 66 Wellington St. W., Toronto ON M5K 1A2, in its capacity as Collateral Agent, the amount of (insert amount in figures and words). This sight draft is accompanied by the drawing certificate (Annex B to the Letter of Credit) required pursuant to the Letter of Credit.

All terms used but not defined herein shall have the meanings given to them in the Letter of Credit.

The Toronto-Dominion Bank, in its capacity as Collateral Agent

By: _____
Name:
Title:



The Bank of Nova Scotia

Annex B

Form of Certificate

Date: (Insert Date)

Irrevocable Standby Letter of Credit: OSB64756GWS

The undersigned, a duly authorized officer of The Toronto-Dominion Bank, TD Bank Tower, 9th Floor, 66 Wellington St. W., Toronto ON M5K 1A2, in its capacity as Collateral Agent, hereby certifies to The Bank of Nova Scotia, Montreal Trade Service Centre, 1800 McGill College Avenue, 10th Floor, Montreal, Quebec, Canada H3A 3K9 (the 'Issuing Bank'), with reference to Irrevocable Standby Letter of Credit No. OSB64756GWS (the 'Letter of Credit') issued by the Issuing Bank in favor of the undersigned, as follows:

This drawing in the amount of (insert amount in figures and words) is being made because:

- a) The Beneficiary is entitled to draw such amount under the terms of the Letter of Credit; and
- b) The Beneficiary is entitled to draw such amount under the terms of the ML Credit Agreement.

All terms used but not defined herein shall have the meanings given to them in the Letter of Credit.

Please wire draw proceeds per the following instructions:

To: (Provide Payment Instructions).

In witness whereof, the undersigned has executed and delivered this certificate as of the ___ day of _____, 20____.

The Toronto-Dominion Bank, in its capacity as Collateral Agent

By: _____
Name:
Title:

Regards, **AGNES CECILIA TIO** **Rodrigo Pacheco**
 T1155 *Agnes Cecilia Tio* P1543 *Rodrigo Pacheco*

 Authorised Signature(s)

N 7

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1 **Request IR-4:**

2

3 **Please indicate if the letter of credit is revocable.**

4

5 **a) If so, what would NSPML do if it were revoked?**

6 **b) What would NSPML need to do if no commercial letter of credit were available**
7 **following such revocation? Please provide a spreadsheet that shows the effect of such a**
8 **scenario.**

9

10 Response IR-4:

11

12 (a-b) The Letter of Credit is irrevocable, meaning that NSPML may not cancel the letter of
13 credit.

14

15 The Letter of Credit automatically renews on the Expiry Date (August 19 each year) for
16 additional one-year terms through to December 2052 (such that the final term would be
17 less than one year, being from August 20 to December 1, 2052).

18

19 Pursuant to the terms of the Letter of Credit, Scotiabank is permitted to cancel the Letter
20 of Credit on no less than 30 days' notice before the initial or any subsequent Expiry Date.
21 In that unlikely event, NSPML would obtain a replacement letter of credit in the
22 equivalent amount from another financial institution or, alternatively, deposit cash to the
23 DSRA in an amount sufficient to replace the Letter of Credit. NSPML has not modeled
24 such a scenario.

PARTIALLY CONFIDENTIAL

1 **Request IR-5:**

2
3 **Referencing NSPML's 2021 Interim Assessment Application, p. 25, lines 5-15:**

4 *As noted during the 2019 proceeding to set NSPML's 2020 assessment, the DSRA is*
5 *required by the terms of the ML Credit Agreement to increase from \$22.75 million to*
6 *\$42.75 million in 2020 (given the requirement to fund 6 months of both interest and*
7 *principal). NSPML will address this requirement for increase by way of arranging an*
8 *LC, as permitted under the ML Credit Agreement and as otherwise permitted by the*
9 *Government of Canada. NSPML's proposal to replace some or all (depending on the*
10 *length of delay of delivery of the NS Block) of the existing DSRA cash with an LC, as*
11 *described in section 5.1.2 above, will result in an increase in the \$20 million LC in*
12 *2021 up to a maximum of \$42.75 million. Based on the estimated annual cost in 2021*
13 *(approximately 0.6% multiplied by the total amount of LC) of maintaining such an LC,*
14 *the total cost of the LC in 2021 is estimated to be \$0.2 million.*

15
16 (emphasis added and footnotes removed)

- 17
- 18 a) **Please explain the basis for the 0.6% lender fee estimate. At what point will that rate**
19 **be contractually obligated?**
- 20
- 21 b) **Under what conditions can the lender fee be increased? Please provide a worst-case**
22 **scenario analysis in a spreadsheet.**
- 23
- 24 c) **If the letter of credit were to be called upon, what are NSPML's obligations and**
25 **terms of repayment? Please provide a scenario analysis in a spreadsheet.**
- 26
- 27 d) **Please provide all documentation, including working papers, that NSPML may be**
28 **relying upon to conduct its due diligence related to the lender fee estimate over the**
29 **full term of the letter of credit.**

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1 Response IR-5:

2
3 a) NSPML has secured the annual Letter of Credit (“LC”) rate of [REDACTED]
4 [REDACTED] This rate will be
5 revisited on an annual basis when the LC renews. Please find attached partially
6 confidential Attachment 1.

7
8 b) The LC fee is revisited each year when the LC is automatically renewed. All else being
9 equal, the LC fee would need to increase to 4.80% throughout the entire term of the
10 arrangement before the net present value (NPV) of the proposed approach becomes
11 negative. Please refer to the net present value model as provided in NSUARB IR-2,
12 Attachment 3 which can be used to illustrate this calculation.

13
14 c) In the unlikely event that the LC is called upon, NSPML would need to reimburse
15 Scotiabank, in accordance with the terms of the Reimbursement Agreement, for the
16 amount called. Please refer to Attachment 2 for a copy of the Reimbursement Agreement.
17 NSPML has not modeled such a scenario.

18
19 d) NSPML has not forecasted what the annual LC fee may be over a 35-year period. That
20 said, the LC fee will be driven primarily by market conditions and NSPML therefore
21 expects the fee will remain at market rates which in our treasury group’s experience have
22 historically been stable. As noted in (b) above, the rate would have to exceed 4.8% (as
23 compared to the forecasted rate of 0.6%) before this proposal would be a net present
24 value cost to customers. In the unlikely event that the market fee increased to this level,
25 NSPML would work with customer groups to consider other options for satisfying the
26 Minimum DSRA Requirement.

The Bank of Nova Scotia
 Corporate Banking - Atlantic
 1709 Hollis Street, 4th Floor
 Halifax, Nova Scotia
 B3J 1W1
 Tel: (902) 420-3700
 Fax: (902) 422-0664

GLOBAL BANKING AND MARKETS



**NSP MARITIME LINK INCORPORATED
 C\$42.75 MILLION STANDBY LETTER OF CREDIT**

SUMMARY OF TERMS & CONDITIONS

This term sheet is not necessarily exhaustive as to the final terms and conditions which will govern this financing and should be read in conjunction with the Standby Letter of Credit/ Letter of Guarantee agreement dated August 20, 2020. This term sheet incorporates information which is either non-public, confidential or proprietary in nature, and is being furnished on the express basis that none of this information be used in a manner inconsistent with its confidential nature or be disclosed to anyone other than as may be required by law or to those employees and advisors of the Borrower who are directly involved in the proposed transaction and who have been informed of the confidential nature of this term sheet.

BORROWER:	NSP Maritime Link Incorporated
LENDER:	The Bank of Nova Scotia
CREDIT FACILITY:	Up to C\$42.75 million standby letter of credit
PURPOSE:	To maintain the Minimum DSRA Requirement in connection with the ML Construction Facility
MATURITY:	Demand
APPLICABLE MARGIN:	[REDACTED]
UPFRONT FEE:	n.a.
SECURITY:	Unsecured
DOCUMENTATION:	The Bank of Nova Scotia Agreement for Standby Letter of Credit/Letter of Guarantee
MANDATORY REPAYMENTS	Customary for transactions of this nature
EVENTS OF DEFAULT:	Customary for transactions of this nature

IN CONSIDERATION of The Bank of Nova Scotia (the "Bank") issuing or amending, from time to time, its Standby Letter of Credit or Letter of Guarantee (individually a "Credit" and collectively "Credits", meaning any Standby Letter of Credit or Letter of Guarantee which the Applicant has requested the Bank to issue pursuant to the written application of the Applicant or a counter guarantee or supporting letter of credit which the Bank is authorized to issue hereunder, where "Applicant" means each party signing below and the Application, where "Application" means an Application for Standby Letter of Credit/Letter of Guarantee), or requesting another institution to issue its standby letter of credit or letter of guarantee against the Bank's counter guarantee or supporting letter of credit, pursuant to an Application, the Applicant and if more than one, each of them jointly and severally, hereby agree(s) with the Bank as follows:

- The Applicant shall reimburse the Bank on demand at the branch/agency, shown on the applicable Application, the amount of each Drawing, (where "Drawing" means any demand or other request for payment or any draft, bill of exchange or other instrument presented for payment under the Credit, in compliance with requirements of the Credit and includes any payment of the proceeds of the Credit into court or otherwise to the credit of the outcome of any action or proceeding), paid or to be paid, by the Bank under the Credit. Each reimbursement by the Applicant under this paragraph shall be made, either in the Local Currency equivalent of each Drawing, (where "Local Currency" means the currency of the country in which the branch/agency of the Bank, set out on the written Application of the Applicant, is located), paid or to be paid by the Bank, or in the currency in which the Bank is to make, has made, or may be called upon to make payment under the Credit. If a time draft is presented in respect of a Drawing under a Credit, the Bank may notify the Applicant of the amount and maturity date of such time draft and the Applicant will make such payment without demand sufficiently in advance of its maturity to enable the Bank to arrange for cover in same day funds to reach the place where the time draft is payable no later than the date of maturity of such time draft.
- The obligation of the Applicant to reimburse the Bank in accordance with paragraph 1 shall be absolute, unconditional and irrevocable and shall not be reduced by any Drawing paid or acted upon being invalid, insufficient, inaccurate, false, fraudulent or forged or being subject to any defense or being affected by any right of set-off, counterclaim or recoupment which the Applicant may now or hereafter have against the Beneficiary, (where "Beneficiary" means the party in favour of whom or which the Applicant has requested the Bank to issue the Credit and in the case of a transferable Credit, each transferee, and where the Bank has issued a counter guarantee or supporting letter of credit, "Beneficiary" means the party in favour of whom or which the counter guarantee or supporting letter of credit has been issued), the Bank or any other person for any reason whatsoever including the fact that a Drawing is held by the Bank or any of its correspondents in its or their own right, or the fact that the Bank or its correspondents paid any Drawing or Drawings aggregating up to the amount of the Credit drawn upon notwithstanding:
 - any contrary instructions from the Applicant;
 - the occurrence of any event including, without limitation, the commencement of legal proceedings to prohibit payment of such Drawing; or
 - the issuance of any order of any government, agency, governing body or court whether or not having jurisdiction in the premises.

Any payment, action, inaction, or omission, made, taken or suffered by the Bank or any of the Bank's correspondents under or in connection with such Credit or any Drawing made thereunder, if in good faith and in conformity with all laws, regulations or customs applicable thereto shall be binding upon the Applicant and shall not place the Bank or any of its correspondents under any resulting liability to the Applicant. Without limiting the generality of the foregoing, the Bank and its correspondents may receive, accept or pay as complying with the terms of such Credit, any Drawing thereunder, otherwise in order which may be signed by, or issued to, the administrator or any executor or liquidator for succession purposes of, or the trustee in bankruptcy of, or the receiver for any property of, or other person or entity acting as the representative or in the place of, such Beneficiary or its successors and assigns. The Applicant further agrees that the Bank shall not be liable for issuing a Letter of Guarantee in lieu of a Standby Letter of Credit, for any choice of another institution to issue a standby letter of credit or letter of guarantee against the Bank's counter guarantee or supporting letter of credit, or for any act or omission of such institution whether in issuing a standby letter of credit or letter of guarantee on instructions of the Bank or otherwise.

- The Applicant authorizes and directs the Bank to pay any Drawing on demand and in such currency as the Bank may determine to be appropriate, all commissions in respect of each Credit (so long as the Bank shall be contingently obligated under such Credit) and fees and charges for issuing or amending such a Credit computed and payable at such time and at such rates as and in accordance with the Bank's prevailing practice and all other expenses which the Bank may incur in connection with each Credit including, without limitation, charges and expenses of other banks or other parties paid or to be paid by the Bank on behalf of the Applicant. Such payment by the Bank shall be made without reference to or confirmation of the Applicant. Moreover, the Applicant will pay to the Bank interest on all amounts not paid by the Applicant on the date of demand or when otherwise due at the reference rate of interest then in effect in the relevant currency and location, being * _____ % per annum, or * _____, calculated daily and payable monthly not in advance on the basis of a calendar year for the actual number of days elapsed, with interest on overdue interest at the same rate as on the principal.
 *Insert applicable rate or rate and phrase for interest basis.
- Upon the happening and continuation of any one or more of the following events, (each an "Event of Default"):
 - the non-payment of any of the obligations of the Applicant under this Agreement or any other agreement between the Applicant and the Bank when due;
 - the failure of the Applicant to perform or observe any term or covenant hereof;
 - the failure of the Applicant to pay its debts as they become due or the admission in writing by the Applicant of its inability to pay its debts generally, the institution by or against the Applicant of proceedings respecting bankruptcy, insolvency, liquidation, winding up, reorganization arrangement, adjustment, protection, relief, composition of it or its debts

- under any laws relating to bankruptcy, insolvency or reorganization or relief of debtor or the seeking of entry of an order for relief or the appointment of a receiver, trustee or other similar official for the Applicant or for any substantial part of its property or the taking of any corporate action by the Applicant to authorize any of such actions;
- the occurrence of any of the events noted in this paragraph with respect to any person or entity which has guaranteed any obligations of the Applicant to the Bank or if a guarantor's guarantee of the Applicant's obligations to the Bank lapses or becomes unenforceable;
 - then the amount of the Bank's contingent liability (as determined by the Bank) under the Credit as well as any and all other obligations of the Applicant under this Agreement shall, at the option of the Bank, become due and payable immediately upon demand to the Applicant and the obligation (if any) of the Bank to issue further Credits under the Application(s) shall terminate.
 - All security now or hereafter held by the Bank for the payment or discharge of any and all present or future indebtedness and liability of the Applicant to the Bank and all property of the Applicant now or hereafter in the possession or control of the Bank for any purpose including monies on deposit and property held for safekeeping, shall be held by the Bank as security for the payment of all amounts which may become payable by the Applicant to the Bank under or in connection with this Agreement, and the Applicant hereby grants a security interest to the Bank in respect of all such aforementioned property to the extent necessary to achieve the foregoing. If at any time the Bank requires collateral (or additional collateral), the Applicant will, on demand, assign/hypothecate and deliver to the Bank as security for any and all obligations of the Applicant now or hereafter existing under this Agreement (including without limitation any and all contingent obligations) collateral of a type and value satisfactory to the Bank or make such cash payment as the Bank may require.
 - Upon default by the Applicant in payment of any amount due and payable hereunder the Bank may, except to the extent not permitted by law, in accordance with applicable law, sell by public or private sale or realize in such other manner all or any security held by the Bank and any moneys received by the Bank as proceeds of any such sale or realization, after deduction of all costs and expenses incurred by the Bank in connection therewith, shall be applied against any amount payable by the Applicant to the Bank under this Agreement and on any other indebtedness or liability of the Applicant to the Bank.
 - Upon payment by the Bank of any Drawing or the occurrence and during the continuance of any Event of Default, the Bank is hereby authorized to set-off and apply any and all deposits (at any time held) and other indebtedness at any time owing by the Bank to or for the credit of the account of the Applicant against any and all obligations of the Applicant now or hereafter existing under this Agreement irrespective of whether or not the Bank shall have made demand under this Agreement and despite such deposit, indebtedness or obligation being unmatured or contingent. The rights of the Bank under this paragraph 7 are in addition to other rights and remedies which the Bank may have.
 - The Applicant will indemnify the Bank from and against:
 - all loss or damage to the Bank arising out of its issuance of, amendment to, or any other action taken by the Bank in connection with a Credit, other than loss or damage resulting from its negligence or wilful misconduct; and
 - all costs and expenses (including attorney's fees and expenses) of all claims or legal proceedings arising out of the Bank's issuance or amendment to a Credit or incidental to the collection of amounts owed by the Applicant hereunder or the enforcement of the Bank's rights hereunder, including, without limitation, legal proceedings related to any court order, injunction or other process or decree restraining or seeking to restrain the Bank from paying any amount under a Drawing.
 - If, for the purpose of obtaining judgment in a court or tribunal in any jurisdiction, it is necessary to convert amounts due hereunder in any currency into a second currency such conversion shall be made at the rate of exchange quoted by the branch/agency of the Bank set out on the Application at 10:00 a.m. on the business day immediately prior to the date of judgment. Further, as a separate obligation, the Applicant will pay to the Bank any additional amount over and above that determined using the rate of exchange cited above if the rate of exchange used at the date of payment to the Bank is less favourable to the Bank than it was at the date of judgment in instances which the Bank is required to convert the amount of any judgment into the amount of any obligation it may owe at any time.
 - In the event the Applicant applies from time to time hereafter for any extension of the expiry date or for any renewal or increase in the amount of the Credit or any other modification of its terms, this Agreement shall continue in force and apply to the Credit so extended, renewed, increased or otherwise modified and to any action taken by the Bank or its agents or correspondents in accordance with such extension, renewal, increase or other modification.
 - This Agreement shall be binding upon the Applicant and upon its heirs, executors, administrators, successors and assigns and each of them and shall enure to the benefit of the Bank, and its successors and assigns. Any provision of this Agreement which is void or unenforceable shall be ineffective to the extent void or unenforceable and shall be severable from the other provisions hereof and this Agreement shall be interpreted as if such provision were not included herein. None of the terms of this Agreement shall be amended except in writing signed by the Bank and any waiver by the Bank shall not constitute any further waiver.
 - Except as otherwise expressly provided, the Credit, if a Standby Letter of Credit, shall be subject to the Uniform Customs and Practice for Documentary Credits as most recently published by the International Chamber of Commerce, (the "UCP"), or the International Standby Practices as most recently published by the same organization, (the "ISP"). The Credit, if a Letter of Guarantee, shall be governed by and construed in accordance with the laws, customs and regulations which may be in force in any place of payment thereof, or, with the laws of any jurisdiction to be jointly agreed to by the Applicant in writing and the Bank. This Agreement shall be governed by and construed in accordance with the laws of the jurisdiction in which the branch/agency of the Bank, as noted on the Application, is situated, except, if a Standby Letter of Credit, to the extent that such laws are inconsistent with the UCP, or ISP and except if a Letter of Guarantee, to the extent that such laws are inconsistent with the laws under which a Drawing may be made under the Letter of Guarantee.
 - The parties have requested that this Agreement and all related documents be drafted in English. Les parties ont exigé que cette convention et tous les documents y afférents soient rédigés en anglais.

APPLICANT'S NAME (WHERE APPLICABLE) NSP Maritime Link Inc.	CUSTOMER SIGNATURE(S) 	VP Finance & Commercial	DATE August 20, 2020
APPLICANT'S NAME (WHERE APPLICABLE) NSP MARITIME LINK INC.	CUSTOMER SIGNATURE(S) 	RESIDENT	DATE 20. AUG. 20

NON-CONFIDENTIAL

1 **Request IR-6:**

2

3 **Please confirm whether Emera (or a subsidiary of Emera), will receive any benefit related**
4 **to the lender fee payment.**

5

6 Response IR-6:

7

8 No benefits related to the lender fee arrangement are contemplated or anticipated to be received
9 by Emera or a subsidiary of Emera.

NON-CONFIDENTIAL

1 **Request IR-7:**

2
3 **Referencing NSPML's 2021 Interim Assessment Application, p. 24, lines 14-17:**

4
5 *As noted in Table 1, the requested recovery of total annual net interest costs in*
6 *2021 is \$44.5 million. This is comprised of total coupon interest costs of \$44.5*
7 *million, an estimated letter of credit fee of \$0.2 million and offsetting estimated*
8 *interest revenues of \$0.2 million.*

9
10 **Please explain why NSPML assumes that interest revenues of \$0.2 million would be earned**
11 **on the DSRA balance.**

12
13 **a) Is the interest rate tied to external rate indices?**

14
15 **b) Is there any ceiling or floor on the interest rate?**

16
17 **c) Please provide all documentation, including working papers, that NSPML is relying**
18 **on in estimating the interest rate and revenues over the full term of the letter of**
19 **credit.**

20
21 **Response IR-7:**

22
23 NSPML expects to earn a total of \$0.2m interest revenue in 2021 on all its bank balances: the
24 Debt Service Reserve Account, Borrower Project Funding Account and Disbursement Account.
25 The \$0.2 million is a forecast of interest to be earned on the average balances in those accounts
26 throughout the year based on past performance understanding that there will be some variability
27 in the account balances depending upon how much cash is retained in the DSRA plus how much
28 cash is on hand in the other accounts for working capital management purposes.

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- 1 a) NSPML's interest rates are based on the posted prime rate.
2
3 b) Since the interest rates are based on prime, they do not have a ceiling or floor.
4
5 c) For purposes of estimating interest rate included in the net present value of the DSRA
6 proposal included in this application (please refer to Attachment 3 to UARB IR-2),
7 NSPML has assumed the current rate (approximately 1%) on these balances and has not
8 forecasted how the underlying prime rate may change over the proposal period in
9 question since that rate will vary based on economic conditions.

NON-CONFIDENTIAL

1 **Request IR-8:**

2

3 **Please explain whether NSPML is assuming a discount rate.¹ If so,**

4

5 **a) Please identify and justify the discount rate.**

6

7 **b) Please provide all documentation, including working papers, that NSPML may be**
8 **relying upon in setting this discount rate.**

9

10 Response IR-8:

11

12 For purposes of estimating the net present value of the DSRA proposal as outlined in NSPML's
13 Application, NSPML has used 6.0% as an illustrative discount rate to provide an approximation
14 of the net present value of the proposal. The rate is between NSPML's weighted average cost of
15 capital of approximately 5.5% given its 70:30 debt to equity ratio and NS Power's current
16 weighted average cost of capital of 6.62%. NSPML does not have any further documentation on
17 this discount rate.

¹ According to Synapse's testimony in M07719 on p. 17 (April 19, 2017), "NSPML used a nominal discount rate of 6.56% and an inflation rate of 2.0% in its valuation of the Maritime Link Project energy during the 2013 application. This is equivalent to a real discount rate of 4.47% ..."

NON-CONFIDENTIAL

1 **Request IR-9:**

2

3 **Please explain if it would be in customers' best interests to draw less than \$22.75M and rely**
4 **less heavily on a letter of credit. Please provide all documentation, including working**
5 **papers, that NSPML may be relying upon in making this determination.**

6

7 Response IR-9:

8

9 Given existing assumptions used in the net present value analysis (please refer to NSUARB IR-
10 2, Attachment 3) it would not be more beneficial for customers to draw less than the \$22.75
11 million maximum that may be withdrawn from the DSRA depending on when the NS Block
12 commences. This occurs as the amounts withdrawn from the DSRA are worth more at the
13 present time compared to the same amount 30-35 years from now, even after accounting for the
14 letter of credit fee and foregone interest revenue on the DSRA cash balance.

15

NON-CONFIDENTIAL

1 **Request IR-10:**

2

3 **Will the revenue required from NSP to NSPML increase after June 2021 as a result of the**
4 **additional costs (LC fee and reduced interest revenues)? If not, how will NSPML cover**
5 **those costs?**

6

7 Response IR-10:

8

9 The forecasted cost of the Letter of Credit and impact on interest revenues in 2021 have been
10 included in NSPML's current Application. A forecast of those costs for the remainder of the term
11 of the financing are included in the net present value analysis, which indicates an approximate
12 benefit to customers of up to approximately \$13 million, as contained in NSUARB IR-2,
13 Attachment 3.

NON-CONFIDENTIAL

1 **Request IR-11:**

2

3 **Please provide all documentation not already provided, including working papers and**
4 **spreadsheets, that NSPML may be relying upon in making this Application.**

5

6 Response IR-11:

7

8 All documentation that NSPML relies on in support of its Application has been filed either as
9 part of the Company's July 31, 2020 filing (including amended Appendix B as filed on August 5,
10 2020) or with the Company's Information Request responses.

11

NON-CONFIDENTIAL

1 **Request IR-12:**

2

3 **Please explain changes in projected revenue (depreciation) from 2048 to 2052.**

4

5 Response IR-12:

6

7 In the proposal presented in this Application, customers may defer payment of depreciation in
8 2021 (up to \$22.75 million) by retaining these funds in the FAM at NS Power and utilizing cash
9 in the DSRA to help fund financing payments. Near the end of the FLG term in 2052, NSPML
10 will seek to recover the depreciation amounts so deferred to enable debt principal payments to be
11 made in those final years.

12

13 If the cash remained in the DSRA in 2021 and throughout the term of the debt, near the end of
14 the term in 2052 that cash would be withdrawn from the DSRA and made available to reduce
15 depreciation requirements from customers. The net present value analysis which reflects the
16 overall benefit of the proposal presented in this Application, filed as Attachment 3 to NSUARB
17 IR-2, shows the effect of the change in projected revenue arising from the requirement for
18 depreciation in the latter years that would not otherwise have been required if the cash was
19 retained in the DSRA.

20

NON-CONFIDENTIAL

1 **Request IR-13:**

2
3 **Referencing NSPML's 2021 Interim Assessment Application, p. 22, lines 16-19:**

4
5 *With the support of the Government of Canada, NSPML proposes to utilize a LC in*
6 *replacement of cash in the DSRA so as to be able to access those funds, thereby making up*
7 *to \$22.75 million in cash held in the DSRA available to apply towards 2021 financing*
8 *obligations in the event of further delay of the NS Block.*

9
10 a) **Please confirm that, consistent with NSPML's Response to NSUARB IR-9(a) in**
11 **M09277, the balance of the DSRA as at December 1, 2020 will be \$42.75M.**

12
13 b) **Please explain – in as much detail as possible - why the arrangement with the**
14 **Government of Canada could not permit a LC in an amount equal to the balance of**
15 **the DSRA at December 1, 2020.**

16
17 c) **In the event that there are terms in the ML Credit Agreement that limit the LC**
18 **arrangement to no more than \$22.75M of the DSRA:**

19
20 **i. please specify those terms; and**

21
22 **ii. please confirm whether NSPML discussed modifying those terms with the**
23 **Government of Canada. If yes, please describe those discussions and their**
24 **outcome. If no, please explain why NSPML did not raise the issue and**
25 **confirm whether raising the issue now could lead to some increased**
26 **benefit to ratepayers.**

NSPML 2021 Interim Assessment Application (NSUARB M09810)
NSPML Responses to CA Information Requests

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1 Response IR-13:

2

3 a) Confirmed. The Minimum DSRA Requirement in December 2020 will be \$42.75
4 million. It will be satisfied by \$22.75 million cash on deposit and the \$20 million letter
5 of credit currently held with the Collateral Agent.

6

7 b) Please refer to response to NSUARB IR-2.

8

9 c) Please refer to response to NSUARB IR-2.

NON-CONFIDENTIAL

1 **Request IR-14:**
2

3 **Referencing NSPML's 2021 Interim Assessment Application, p. 25:**
4

5 **a) Please confirm whether the DSRA balance is considered part of NSPML's ratebase for**
6 **the purpose of calculating a NSPML's regulated return.**
7

8 **b) Please confirm whether the replacement of all or a portion of the DSRA cash balance**
9 **with a LC will have any impact whatsoever on the calculation of NSPML's regulated**
10 **return.**
11

12 Response IR-14:
13

14 NSPML expects that the setting of its rate base will be a matter addressed during the final cost
15 proceeding. To date NSPML has estimated its regulated return on equity based on average
16 shareholder equity balances multiplied by the approved 9.0% regulated return on equity rate.

17 NSPML's shareholder equity amounts have been maintained at the approved debt to equity ratio
18 and in accordance with the ML Credit Agreement. NSPML expects to include in its rate base all
19 costs capitalized under GAAP and required to construct, finance and operate the Maritime Link
20 Project on behalf of customers.
21

22 The reduction in long term debt and shareholder equity is based on the provisions of the ML
23 Credit Agreement, the ML bond repayment terms and the approved debt to equity ratio. The
24 utilization of cash from the DSRA account and replacement with a letter of credit as proposed in
25 this Application does not impact those repayment terms and therefore, doesn't change the
26 calculation of NSPML's regulated return from what it would be otherwise.

NON-CONFIDENTIAL

1 **Request IR-15:**

2

3 **Please identify and provide detail regarding any projected 2021 O&M Cost that will be**
4 **paid to Emera or an affiliate.**

5

6 Response IR-15:

7

8 Of the \$21.5 million total O&M costs projected for 2021, NSPML has projected approximately
9 \$2.1 million will be paid for services to Emera and its affiliates, including NS Power. This does
10 not include flow-through costs such as payroll that NSPML reimburses Emera for as its payroll
11 administrator.

12

13 Approximately \$1.6 million of the costs relate to shared services provided by NS Power and
14 Emera consistent with services provided in prior years, as outlined in annual affiliate code
15 reporting, as well as approximately \$0.5 million for services of NS Power's control centre
16 operations, site security, vegetation management, and AC station services.

NON-CONFIDENTIAL

1 **Request IR-16:**

2

3 **Does the Application seek to recover any cost (donations, executive compensation, bonus**
4 **compensation) that would be segregated as unregulated under the regulatory limitations**
5 **placed on NS Power? If yes, please provide detail.**

6

7 Response IR-16:

8

9 As this Application is with respect to costs relating to operations and not capital construction, the
10 Application does not seek to recover any costs that would be segregated as unregulated under the
11 limitations placed on NS Power.