

December 16, 2016

VIA EMAIL: doreen.friis@novascotia.ca

Ms. Doreen Friis
Regulatory Affairs Clerk/Officer
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
Halifax, NS B3J 3P6

Dear Ms. Friis:

RE: Application by NSP Maritime Link Incorporated (NSPML) for Approval of an Interim Assessment of the Maritime Link Project (Application)

NSPML is today filing its application with the Board for approval of an interim assessment of the Maritime Link Project, under cover of a Notice of Application. NSPML's legal representatives in this matter are myself and Colin J. Clarke, QC of Cox & Palmer.

This Application requests that the UARB approve a forecasted interim assessment of the Maritime Link (Interim Assessment) to be paid to NSPML by Nova Scotia Power Inc. (NS Power), commencing on January 1, 2018, and to be in place until the Board approves a final cost application for the Maritime Link Project, anticipated to be brought before the Board in 2018.

This approval is sought on the basis that NS Power will have use of the Maritime Link and commence payments to NSPML on January 1, 2018. At such time, the Maritime Link will be in service and available to provide value and benefit to NS customers.

The Maritime Link will provide access to cleaner and more reliable energy to meet the needs of Nova Scotia customers. In addition to the contractually guaranteed supply of the NS Block, the Maritime Link will provide NS Power with greater access to market priced energy, and an opportunity to import economic energy from Newfoundland and Labrador by virtue of the Energy Access Agreement which gives a contractual right to market priced energy. The Maritime Link provides greater flexibility and diversification to NS Power and will enhance long term energy security and reliability for NS customers. The Maritime Link provides a strategic transformational opportunity for enhanced access to competitive energy markets and should be made available for the benefit of Nova Scotia customers immediately upon commissioning.

In June of 2016 Nalcor announced a delay in the commencement of the Muskrat Falls Generating Station and therefore a delay in the commencement of the NS Block. NSPML understands that customers may have questions about the timing of commissioning of the Maritime Link on January 1, 2018 and the commencement of payments to NSPML, when the benefit of the NS Block will commence as much as two years later. This Application, including expert evidence of John Reed, explains that:

- The Maritime Link is a complex mega-project that has required a significant coordination of major global and local supplier contracts. Any delay or amendment to these contracts to artificially align the Maritime Link with the NS Block will cause higher capital and financing costs to customers.
- The NS Block is a contractually guaranteed benefit to customers for 35 years, no matter when it starts. Delay does not mean a loss of that benefit to customers.
- As soon as the Maritime Link is put into service, it can be used by NS Power to conduct market-priced energy transactions. It was anticipated by the agreements between Emera and Nalcor that the transmission assets could be available before the generating assets, and the Energy and Capacity Agreement provides for market-priced energy transactions in that situation.
- Being able to use the Maritime Link gives NS customers the opportunity to obtain value right away – having the asset sit idle means that NS customers get no benefit from the asset even though financing costs would continue to mount.
- The Maritime Link provides many other system benefits for NS Power and customers in addition to the NS Block. These benefits, together with the long term benefit of the NS Block, make the Maritime Link immediately used and useful in regulatory terms and for accounting purposes under NSPML accounting policies.
- Starting January 2017, customer rates will include recovery of the costs of the Maritime Link, by virtue of the Board-approved NS Power Fuel Stability Plan. Changing the assessment amount relating to the Maritime Link will increase total costs to customers over the life of the Project.

- Changing the assessment amount from what has already been approved by the Board for recovery from NS Power customers would undermine the Fuel Stability Plan, which was established in accordance with legislation designed to provide low and stable rates for customers. If the assessment is not paid to NSPML, customer rates would need to be adjusted in the short term, and increased more than otherwise necessary beginning in 2020. In other words, rate stability would no longer be in place and customers would experience a significant increase in 2020 to accommodate the change. An objective of the rate stability legislation, to smooth the recovery of the Maritime Link costs over the Fuel Stability Period, would be undermined.

NSPML respectfully submits that delaying the start of the Maritime Link or changing the payment schedule in the first two years would not be in the customers' best interest. On January 1, 2018 NS Power and its customers will immediately start to benefit from use of the Maritime Link, and total capital and financing costs will be kept as low as possible.

NSPML confirms that this filing is non-confidential. NSPML recognizes that parties to the Board's proceeding to consider the Application may have a legitimate interest in accessing certain information during this proceeding that NSPML may ask the Board to hold in confidence pursuant to Board Regulatory Rule 12. In that respect, NSPML would not object to providing such access, on such terms as the Board considers appropriate, including a confidentiality undertaking. A proposed form of such an undertaking is attached to this letter, and NSPML also requests that it be approved by the Board for the purposes of this proceeding.

Sincerely,



Mary Ellen Greenough
Senior Counsel Legal & Regulatory Affairs

Enclosure

cc: Rick Janega, NSPML
Bruce Outhouse, Q.C., Board Counsel
Colin J. Clarke, Q.C., Cox & Palmer
Interested Parties