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Request IR-17:

With respect to the projections provided, specifically related to the Maritime Link, NSPI explains the information provided in Figure 28 on page 73 of the application "compares to the estimated Revenue Requirement included in NSPML's original application for approval of the Maritime Link…":

(a) The Board did not approve NSPML's original application. Please provide the cost buildup of the information included to support this Fuel Stability Plan application.

(b) Please provide the formula and referenced inputs of how each of the following cost elements have been determined annually:

- **Debt financing costs (provide detail of annual debt repayment to identify remaining loan balances and interest cost and explain which costs are being recovered as part of the assessment)**

- **Equity financing costs (provide rate base and regulated capitalization, identifying any variances between the balances)**

- **Depreciation (provide the total capital cost and amortization period, as well as any reconciling items)**

- **Other operating costs**

(c) Please provide a breakdown of the costs proposed between the 20 for 20 Energy, Supplemental and Surplus as well as energy assumptions.

(d) Please tie the cost projections back to the NSPML application. Explain any variance in proposed amount to be included and why.

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Response IR-17:

(a) The reference to the original Maritime Link (ML) Application contained in page 73 of the Fuel Stability Plan Application should be considered to refer to the original ML Application and subsequent approval of the condition set out in the original ML application as determined by the Board in the Supplemental Decision it issued on November 29, 2013. The costs of the Project did not change by the approval of the condition.

The NSPML projected balance sheet information summarized below, as at December 31, 2017 represents the cost buildup included in this application. Projected balance sheets for 2018 – 2020 are also provided to support the costs estimated in those years. These costs represent total rate base and capitalization of debt and equity.

Assets ($ Millions)	**2017**	**2018**	**2019**	**2020**
Cash (Including Debt Service Reserve Account) (Note 1)	$23	$75	$128	$152
Property Plant & Equipment: Capital costs, net of 20-for-20 true-up (Note2) AFUDC Total	 $1,555 $230 $1,785	 $1,734	 $1,683	 $1,632
Deferred Finance Charges	$52	$51	$49	$48
Total Assets	**$1,860**	**$1,860**	**$1,860**	**$1,832**

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Liabilities and Equity				
Long Term Debt (Note 3)	$1,300	$1,300	$1,300	$1,280
Common Stock	$465	$465	$465	$458
Retained Earnings	$95	$95	$95	$94
Total Liabilities and Equity	**$1,860**	**$1,860**	**$1,860**	**$1,832**

Note 1: Debt Service Reserve Account is a requirement of the Federal Loan Guarantee.
Note 2: The breakdown of these capital costs is as outlined in NSPML's quarterly reports filed with the UARB. Figure 27 of the Application provides a breakdown of these costs prior to the 20-for-20 true up of $22 million.
Note 3: Long term debt principal repayment begins on December 1, 2020.

(b) Projected Debt Financing Costs comprise the following:

	2018	**2019**	**2020**
Bond coupon interest cost (Note 1)	$45.5m	$45.5m	$45.5m
Interest revenue on cash balances	($1.2m)	($3.1m)	($3.6m)
Deferred Financing Cost Amortization (Note 2)	$1.5m	$1.5m	$1.5m
Total	$45.8m	$43.9m	$43.4m

(1) 3.5% Interest expense on $1.3b bond issuance (3.5% x $1.3b = $45.5m per year)
(2) Amortization of Deferred Finance Charges during operating period: $52m ÷ 35 years = $1.5m per year.

Equity Financing Costs comprise:

- 9% ROE on total shareholder equity (combination of Common Stock and Retained Earnings) balance as noted in (a).

Depreciation charges comprise:

- $1,785M amortized straight-line over approximately 35 years ($51m per year).

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Operating & Maintenance costs projection comprise:

Operating & Maintenance Cost Projection (Amounts in $M's)	**2018**	**2019**	**2020**
Labour and administration	[redacted]		
Converters and substations operations			
Marine surveillance			
Vegetation management			
Insurance			
Independent Engineer			
Environmental Assessment			
Contingency and escalation			
Total	**14.3**	**18.4**	**19.5**

(c) Please refer to Attachment 1. Please note that the 2018 NS Block volume of 715 GWh is overstated in error. Actual volumes will be ~673 GWh. This will be reflected in the refresh.

(d) The variance of cost projections between the Application as compared to the original ML Application is as follows:

Cost Projections per Application (including 2020):

Amounts in $M's	**2018**	**2019**	**2020**
Depreciation	51	51	51
Operating & Maintenance	14	18	20
Debt Financing Costs	46	44	43
Equity Financing Costs	51	51	50
Total Anticipated Assessment	162	164	164

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Cost Projections per Appendix 4.01 of the original ML Application:

Amounts in $M's	2018	2019	2020
Depreciation	50	50	50
Operating & Maintenance	11	18	11
Debt Financing Costs	46	45	44
Equity Financing Costs	53	52	50
Total Anticipated Assessment	160	165	155

The reasons for the primary variances are as follows:

- Depreciation varies due to the change in capital cost of $41m.

- Revised estimates for Operating & Maintenance are described in (b) representing increases in 2018 and 2020. These remain projections and as construction proceeds these costs will become better known.

- Debt financing in Appendix 4.01 assumes all costs of debt financing are included in projected interest rate cost of 4.0% whereas current forecast represents actual cost of debt financing including the funding of a Debt Service Reserve Account and Deferred Finance Charges.

- Cost of equity financing in the NSPI BCF Application is lower due to an escalating rate of return modeled in Appendix 4.01 of the NSPML Application in 2013 whereas the NSPI BCF Application models the approved 9.0%.

- Maritime Link in-service date represented in Appendix 4.01 is October 1, 2017 and under the current forecast it is estimated to be in-service by December 31, 2017.