

Labrador-Island Link Limited Partnership - Revised Capital & Financing Cost Master AFE's

1. Master Authorization for Expenditure ("AFE")

The Master AFE's for direct capital costs and financing related costs for the Labrador-Island Link are attached in Appendix A for Board of Directors review and approval.

Master AFE LCPLITL-2013-01 was previously approved by the Labrador-Island Link General Partner Corporation Board of Directors in January 2013 (acting on behalf of the Labrador-Island Link Limiter Partnership). This approval provided for the release of necessary funding, the allocation of which being managed by the President and CEO, for execution of work scope leading to in-service of the Labrador-Island Link.

The attached Master AFE LCPLITL-2013-01 Supplement #1 represents an update to the previously approved AFE. It reflects an update to direct capital costs, which was previously based on the Decision Gate 3 ("DG3") estimate, as well as a transfer of approved financing cost funding to a separate Master AFE LITL-FIN-2014-01 that relates solely to financing related costs and interest during construction ("IDC").

An update to the Labrador-Island Link direct capital cost estimate of \$2,610 million established at DG3 was completed as part of determining the \$2,546 million Project Budget baseline as defined in the LIL Project Finance Agreement executed by the Labrador-Island Link Limited Partnership on November 29, 2013. The decrease of \$64 million from the DG3 estimate to the Project Budget baseline was driven by:

- Market conditions for transmission line materials was favorable, however this has been somewhat offset by cost growth in total quantities to be installed as final design was completed.
- Design optimization across the Labrador-Island Link has resulted in scope reductions at switchyards, separate Strait of Belle Isle fibre crossing, plus removal of Holyrood synchronous condenser conversions in lieu increasing the rating of the new synchronous condenser installation at Soldier's Pond.

2. Work Scope

A summary of the scope of work associated with this Master AFE LCPLITL-2013-01 is contained in Appendix B.

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3. Cost

The cost estimate for the two Master AFE's are outlined below:

Master AFE LCPLITL-2013-01 Supplement #1 Cost Estimate

<i>(\$ Millions CAD)</i>	Labrador Island Link
Project Budget Capital Cost Estimate ⁽¹⁾	
Owners Team, Admin & EPCM Services	\$ 247.1
Feasibility Engineering	\$ 34.0
Environmental & Regulatory Compliance	\$ 25.8
Aboriginal Affairs	\$ 2.2
Procurement & Construction	\$ 2,135.2
Commercial & Legal	\$ 22.5
Contingency	\$ 79.4
Master AFE Value	\$ 2,546.2
Approved Funding to Date	\$ 2,692.9
Less: Transfer to Financing AFE ⁽²⁾	\$ (83.2)
Total	\$ 2,609.7
New Funding Requested	\$ -

Master AFE LITL-FIN-2014-01 Cost Estimate

<i>(\$ Millions CAD)</i>	Labrador Island Link
Financing Cost Estimate	
Underwriting Fees	\$ 7.8
Collateral & Fiscal Agent Fees	\$ 0.5
Trustee & Administrator Fees	\$ 0.4
Credit Rating Agencies	\$ 4.8
Independent Engineer & Insurance Consultant	\$ 4.2
Legal & Financial Advisory	\$ 11.8
Administrative & Other Related Costs	\$ 1.1
Interest During Construction (Net)	\$ 329.6
Master AFE Value	\$ 360.1
Less: Transfer from Capital Cost AFE ⁽²⁾	\$ (83.2)
New Funding Requested	\$ 276.9

(1) Represents Project Budget (Hard Cost) baseline established in the LIL Project Finance Agreement executed by the Labrador-Island Link Limited Partnership on November 29, 2013.

(2) Funding for Project Debt Financing approved in original Master AFE LCPLITL-2013-01.

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The work will be carried out under the authority of the President and CEO, as granted by the Board's approval of these Master AFE's, and in the case of LCPLITL-2013-01, will be performed within the confines of the work scope as outlined in Appendix B and the Project documents noted herein. Work entailing a material change from project scope, as outlined in the basis of design (summarized in Appendix B) or increases in the approved Master AFE will require further authorization by the Board of Directors.

4. Schedule

The key milestone dates for the construction and development of the Labrador-Island Link are as follows:

<u>Milestone Description</u>	<u>Date</u>
Project Sanction	17-Dec-2012
SOBI Cable Systems Ready	25-Oct-2016
Muskkrat Falls Switchyard and Converter Station Ready for Operation	28-Feb-2017
HVdc Transmission Line Construction Complete and Connected	30-Jun-2017
Soldier's Pond Switchyard and Converter Station Ready for Operation	04-Oct-2017
Ready for Power Transmission	04-Oct-2017
Soldier's Pond Synchronous Condenser Ready for Operation	13-Nov-2017
Commissioning Complete - Commissioning Certificate Issued	01-Jun-2018

APPENDIX A: AFE LCPLITL-2013-01

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APPENDIX A – AFE LITL-FIN-2014-01

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APPENDIX B – SCOPE OF WORK**Labrador- Island Link (LIL) – Work Scope**

The LIL consists of the overland high voltage direct current (HVdc) Transmission system and associated HVdc converter station systems, the Strait of Belle Isle (SOBI) crossing and a new synchronous condenser facility. Specifically it includes:

- a) AC Switchyard at Soldier's Pond on the Avalon Peninsula
- b) Muskrat Falls HVdc converter stations: HVdc bipolar converter station; 315 kV ac, converted to ± 350 kV dc; Pole capacity of 450 MW
- c) Shoreline pond electrode located on the Labrador side of the Strait of Belle Isle. The anseau- Diabla shoreline pond electrode will be connected to the converter station at Muskrat Falls with dual overhead conductors supported on a wood pole line from the pond electrode site to the HVdc transmission line Right of Way and from there on will be supported on the HVdc Line structures
- d) Soldier's Pond HVdc converter station: HVdc bipolar converter station; 230 kV ac, converted from ± 350 kV dc; Pole capacity of 450 MW; and Shoreline pond electrode located on the east shore of Conception Bay Dowden's Point shoreline pond electrode will be connected to the converter station at Soldiers Pond with dual overhead conductors supported on a wood pole line
- e) HVdc Transition Compounds for the Strait of Belle Isle submarine cable terminations
- f) 3 Mass Impregnated 450MW capacity each submarine cables crossing the SOBI protected using HDD boreholes and seabed rocking dumping
- g) One transition compound for each side of the Strait of Belle Isle submarine cable crossing, with associated switch works to manage the junction of multiple submarine cables and the overhead transmission line
- h) Overhead transmission line from the Muskrat Falls converter station to Soldiers Pond converter station: 900 MW, ± 350 kV dc, bipolar line, single conductor per pole; Galvanized lattice steel guyed suspension and rigid angle towers; 1100 km long
- i) New synchronous condenser at Soldier's Pond - 3 x 175 MVar units Decision
- j) Breaker upgrades / replacements at the Sunnyside Terminal Station
- k) ECC Upgrades and fibre communication connections to Soldier's Pond
- l) Operations Telecommunication system