NALCOR ENERGY

and

EMERA INC.

SANCTION AGREEMENT

December 17, 2012

THIS SANCTION AGREEMENT is made effective the 17th day of December, 2012 (the "**Effective Date**")

B E T W E E N:

NALCOR ENERGY, a body corporate existing pursuant to the *Energy Corporation Act* being Chapter E-11.01 of the *Statutes of Newfoundland and Labrador, 2007,* solely in its own right and not as agent of the NL Crown ("**Nalcor**")

- and -

EMERA INC., a company incorporated under the laws of the Province of Nova Scotia ("**Emera**")

(individually referred to as a "**Party**" and collectively referred to as the "**Parties**")

WHEREAS:

A. Nalcor and Emera entered into a Term Sheet dated November 18, 2010 confirming their common understanding of the purpose, process and timing for the supply and delivery of power and energy from the Province of Newfoundland and Labrador to the Province of Nova Scotia, other Canadian provinces and New England;

B. Nalcor and Emera entered into the Formal Agreements contemplated by the Term Sheet on July 31, 2012;

C. The Parties, Canada, the NS Crown, and the NL Crown entered into the Federal Loan Guarantee Agreement; and

D. Nalcor and Emera now wish to Sanction the Maritime Link, and Nalcor wishes to sanction the Labrador-Island Link, the Labrador Transmission Assets and the Muskrat Falls Plant, and the Parties wish to set out certain critical terms and conditions related to each such sanction;

NOW THEREFORE this Sanction Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

1. Definitions

For the purpose of this Sanction Agreement:

Capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to them in the ML-JDA.

"Agreed Provisions" has the meaning set forth in **Section 4(d)(i)**;

"Applied For Capital Costs" means 20% of the sum of the Estimated Capital Costs, the LIL Estimated Capital Costs, the LTA Estimated Capital Costs, and the MFP Estimated Capital Costs;

"Basis Points" and **"BPS"** means a unit equal to one-hundredth ($1/100^{th}$) of a percentage point and **"basis points"** and **"bps"** have a corresponding meaning;

"COD" means the Commercial Operation Date;

"Canada" means Her Majesty the Queen in Right of Canada;

"Class B Shares" has the meaning set forth in **Section 4(c)(i)**;

"DRP" means the Dispute Resolution Procedure referred to in **Section 11**;

"Decision Gate 3 Costs" or **"DG3 Costs"** means the Estimated Capital Costs of the Maritime Link at the time of Emera Decision Gate three;

"Dispute" means any dispute, controversy or claim of any kind arising out of or relating to this Sanction Agreement, including the interpretation of the terms hereof or any Applicable Law that affects this Sanction Agreement, or the transactions contemplated hereunder, or the breach, termination or validity thereof;

"Effective Date" has the meaning set forth in the commencement of this Sanction Agreement;

"Emera Rights" has the meaning set forth in **Section 10**;

"Estimated Overall Project Costs" means the sum of the DG3 Costs, the LIL Estimated Capital Costs, the LTA Estimated Capital Costs, and the MFP Estimated Capital Costs;

"Federal Loan Guarantee Agreement" means the "Agreement Providing Key Terms and Conditions for the Federal Loan Guarantee By Her Majesty the Queen in right of Canada for the Debt Financing of the Lower Churchill River Projects";

"Final UARB Determination" occurs when:

(a) DG3 Costs are finally established by the Parties; and

(b) a UARB Decision, including any decision resulting from any subsequent Emera application, requests for reconsideration and any applications made pursuant to **Section 4(f)**, has been received by Emera;

"Financial Close" means the earliest to occur of the "Financial Close" (as defined in the Federal Loan Guarantee Agreement) relating to the Muskrat Falls Plant, the Labrador Transmission Assets, the Labrador-Island Link, and the Maritime Link;

"Financial Condition" means a condition or conditions relating solely to the Rate of ROE imposed by the UARB Decision, which results in the UARB Decision ROE being less than the NS Regulatory Application ROE by 75 basis points or less;

"Financial Conditions Resolution Date" means the date on which the resolution of the allocation of any shortfall caused by a Financial Condition occurs, which is:

(a) if **Section 4(a)** applies, 30 days following the Final UARB Determination;

(b) if **Section 4(b)** applies, 30 days following the Notice provided by Emera pursuant to that Section; or

(c) such other date as the Parties may agree;

"Initial Term" has the meaning set out in the ECA;

"Inter-Provincial Agreement" means the Inter-Provincial Agreement between Nalcor, Emera, the NS Crown, and the NL Crown dated July 31, 2012;

"Investment Agreement" has the meaning set forth in **Section 4(c)**;

"Investment Principles" has the meaning set forth in **Section 4(c)**;

"Issuer" has the meaning set forth in **Section 4(c)(i);**

"ML Agreements" means the ML-JDA, Nova Scotia Transmission Utilization Agreement, the Energy and Capacity Agreement, the Joint Operations Agreement, the Maritime Link (Emera) Transmission Service Agreement, the Maritime Link (Nalcor) Transmission Service Agreement and the Interconnection Operators Agreement;

"ML-JDA" means the Maritime Link – Joint Development Agreement between Nalcor and Emera executed on July 31, 2012, including all Schedules, as it may be modified, amended, supplemented or restated by this Sanction Agreement or by further written agreement between Nalcor and Emera;

"NS Regulatory Application ROE" has the meaning set forth in **Section 4(c)(iii)**;

"NSPML" means NSP Maritime Link Inc.;

"Nalcor Investment" has the meaning set forth in **Section 4(c)(v)**;

"Nalcor Rights" has the meaning set forth in **Section 9**;

"New Maritime Link" has the meaning set forth in **Section 5(b)(i)**;

"Other Condition" means any term, condition, stipulation, or requirement of the UARB Decision or related order, other than a Financial Condition;

"P50 to P90 Estimated Capital Costs" means a range of P50 to P90 estimated Capital Costs of the Maritime Link as determined by Emera;

"Parties" means the parties to this Sanction Agreement, and **"Party"** means any one of them;

"Predicted MFP Production" means the predicted average Energy production of the MFP adjusted pursuant to Schedule 2 of the Energy and Capacity Agreement;

"ROE Applied Formula" has the meaning set forth in **Section 3(b)(ii)**;

"ROE Applied Risk Premium" has the meaning set forth in **Section 3(b)(ii)**;

"Rate of Return on Equity" or **"Rate of ROE"** means the percentage rate, determined by formula as applicable, applied to the actual or UARB-deemed equity amount as the context requires to establish the dollar amount of ROE and refers to the specific level, including any adjustment formula, that is used for rate making purposes;

"Return on Equity" or **"ROE"** means the earnings on equity invested, or UARB-deemed to be invested, as the context requires;

"Sanction Agreement" means this agreement as it may be modified, amended, supplemented or restated by written agreement between the Parties;

"True Up Adjustment" means the adjustment referred to in **Section 3(e)**; and

"UARB Decision ROE" has the meaning set forth in **Section 4(c)(iii).**

2. Sanction of the Maritime Link

(a) Nalcor and Emera agree to Sanction the Maritime Link simultaneously with the sanction of the Muskrat Falls Plant, the Labrador-Island Link, and the Labrador Transmission Assets.

(b) Upon Sanction, each of Nalcor and Emera is committed to cause the Maritime Link to be completed and Commissioned, as contemplated by and in accordance with the terms and subject to the conditions of this Sanction Agreement and the Formal Agreements as amended hereby.

(c) The Parties acknowledge that notwithstanding their intent to now provide early Sanction of the Maritime Link, it is appropriate for various specific provisions of the Formal Agreements to continue to be triggered at the appropriate time following the UARB Decision. Accordingly, the Parties agree that the provisions of the Formal Agreements that trigger obligations by Nalcor or Emera (including any Affiliates of Nalcor or Emera), or provide that

an event is stated to occur, be defined or be calculated at or prior to Sanction of the Maritime Link by either Party, are hereby amended such that any such obligations would now be triggered, or such event would occur, be defined or be calculated at or prior to the Financial Conditions Resolution Date, other than as follows:

(i) the Inter-Provincial Agreement will not be amended and will continue to be effective as of the date of Sanction made pursuant to this Sanction Agreement;

(ii) the definition of "Government Action" in the ECA, the Maritime Link (Nalcor) Transmission Service Agreement, and the Nova Scotia Transmission Utilization Agreement will not be amended and the term "Sanction" in that definition will mean Sanction made pursuant to this Sanction Agreement; and

(iii) Section 5.15(a) of the Newfoundland and Labrador Development Agreement will be amended such that Nalcor will maintain its option to acquire all but not less than all of Emera NL's Partnership Interest (as such is defined in the Newfoundland and Labrador Development Agreement), but only until such time as Emera satisfies the conditions precedent in Section 3.5(A)(ii) and (viii) of the Federal Loan Guarantee Agreement, after which Section 5.15(a) of the Newfoundland and Labrador Development Agreement shall be void. So long as Emera is carrying out its obligations in **Section 7(b)**, Nalcor agrees not to exercise its option in Section 5.15(a) of the Newfoundland and Labrador Development Agreement.

(d) Nalcor and Emera hereby covenant to ensure that any of their Affiliates who are signatories to the Formal Agreements will act in accordance with this Sanction Agreement, and in particular, without limiting the generality of the foregoing, in amending the Formal Agreements pursuant to **Section 2(c)** and **Section 6**.

3. <u>The NS Regulatory Application, DG3 Costs, and Related Matters</u>

(a) <u>UARB Filing</u> – Nalcor and Emera will cooperate to ensure the timely filing of the NS Regulatory Application for approval of the Maritime Link in accordance with Section 5.2(a) to Section 5.2(d) of the ML-JDA and after completion of Emera's due diligence as provided for in **Section 3(c)**.

(b) <u>Contents of the NS Regulatory Application</u> – Emera:

(i) will prepare the NS Regulatory Application, supporting documents, and all related analysis of alternatives on a basis consistent with accepted regulatory practice and precedent in Nova Scotia, which for greater certainty does not include an integrated resource plan, and in accordance with the *Maritime Link Act* and the *Maritime Link Cost*

Recovery Process Regulations. The NS Regulatory Application will include a request for a capital structure in accordance with the Federal Loan Guarantee Agreement, evidence with respect to the P50 to P90 Estimated Capital Costs, and a request for approval of capital costs that are equal to the Applied For Capital Costs; and

(ii) will cause NSPML to apply to the UARB in the NS Regulatory Application for depreciation of rate base assets on a straight line basis and a formula based Rate of ROE to be effective until 2017. The NS Regulatory Application will request that in 2013, the Rate of ROE is comprised of a 490 basis point risk premium and a 30 year A-rated long-term utility bond yield of 420 basis points. The formula will effect a change in the Rate of ROE based upon 75% of the year over year forecasted change in 30 year A-rated long-term utility bond yields (the **"ROE Applied Formula"**). The risk premium of 490 basis points requested in the NS Regulatory Application will remain constant (the **"ROE Applied Risk Premium"**). The calculation of the change required under the ROE Applied Formula will be made prior to the beginning of each year and be applied prospectively using the forecasted change in such 30 year A-rated long-term utility bond yields for such year.

(c) Due Diligence – Notwithstanding Section 5.5 of the ML-JDA, Nalcor may continue to complete its due diligence, in its sole and absolute discretion, with respect to the Maritime Link, and Emera may continue to complete its due diligence, in its sole and absolute discretion, with respect to the MFP, the LIL, the LTA and the NLH AC Upgrades.

(d) DG3 Costs – The DG3 Costs will be established on a basis consistent with the establishment of the MFP Estimated Capital Costs, the LIL Estimated Capital Costs, and the LTA Estimated Capital Costs, and such determination will occur no later than October 1, 2013.

(e) Section 2.2(b) of the ML-JDA – If Section 2.2(b) of the ML-JDA applies, Nalcor and Emera agree to compensate the relevant Party pursuant to that Section (the **"True Up Adjustment"**). The True Up Adjustment shall be a contribution of cash or an Energy equivalent adjustment, the choice of which shall be at the sole option of the Party that is obligated to make the contribution. The contribution shall be determined by 60 days after the Financial Conditions Resolution Date, or such other date as agreed by Nalcor and Emera. The True Up Adjustment shall be calculated as follows:

(i) if the DG3 Costs are less than 20% of the Estimated Overall Project Costs, Emera shall make a contribution to Nalcor, or

(ii) if the DG3 Costs are greater than 20% of the Estimated Overall Project Costs, Nalcor shall make a contribution to Emera,

such that, after the adjustment, Emera's percentage share of the Estimated Overall Project Costs will be equal to its percentage share of the Predicted MFP Production.

(f) Energy Adjustment and Payment – If part or all of the contribution made under **Section 3(e)** is to be made by way of Energy, a pro-rated adjustment will be made to the Nova Scotia Block over the Initial Term such that the amount of Energy to be provided to Emera by Nalcor shall be adjusted so that Emera's share of the Predicted MFP Production is equal to the percentage obtained by comparing DG3 Costs, after adjustments for any cash contribution, to the Estimated Overall Project Costs. Nalcor and Emera agree that any cash contribution shall be made within 60 days of the determination in **Section 3(e)**, and that any applicable adjustment to the Nova Scotia Block shall likewise be documented by a formal agreement between Emera and Nalcor within such 60 day period.

(g) Intention – For greater certainty:

(i) the True Up Adjustment referred to in **Sections 3(e)** and **3(f)** shall be independent of any cost obligations imposed upon Nalcor under **Section 4(b) and (c)**, or for Unapproved Overruns, if any;

(ii) no further adjustments or compensation shall be made by either Nalcor or Emera under Section 2.2(b) of the ML-JDA; and

(iii) nothing in this Section derogates from any pre-existing rights of Nalcor or Emera under the ML-JDA with respect to the Estimated Capital Costs of the Maritime Link, the LIL Estimated Capital Costs, the LTA Estimated Capital Costs, and the MFP Estimated Capital Costs. For greater certainty, Nalcor and Emera agree that the MFP Estimated Capital Costs, the LIL Estimated Capital Costs, the LTA Estimated Capital Costs, and the DG3 Costs will be established by Nalcor, or Nalcor and Emera, as provided for in the ML-JDA.

(h) Expedited Dispute Resolution - If Nalcor and Emera cannot agree on the establishment of the DG3 Costs, or on whether the Estimated Overall Project Costs have been consistently prepared, by October 1, 2013, any such Dispute shall be referred to the CEOs of Nalcor and Emera on five (5) Business Days' Notice to reach consensus. If the CEOs are unable to reach consensus within ten (10) Business Days of the matter being referred to them pursuant to this **Section 3(h),** the matter will be referred to an Independent Expert as a Specified Dispute pursuant to Section 6.1 of the DRP. To the extent possible the Parties shall agree on as many issues as possible and limit any Specified Dispute to only those matters that cannot be agreed.

(i) DRP Amendment - For purposes of a Specified Dispute under **Section 3(h),** the DRP is hereby amended to allow as follows:

(i) Section 6.3 of the DRP will be amended to provide for the selection and engagement of an Independent Expert by no later than ten (10) Business Days after the termination of discussions by the CEOs;

(ii) Notwithstanding any other provisions in the DRP, Nalcor and Emera will provide their written submissions to the Independent Expert within five (5) Business Days following the appointment of the Independent Expert and Nalcor and Emera shall provide written comments, if any, on the other Party's submission within 15 Business Days of provision of the written submissions to the Independent Expert;

(iii) With respect to submissions under **Section 3(i)(ii),** a Party may only provide reports, estimates or other information:

(A) which had been previously disclosed to the other Party as part of the receiving Party's due diligence of the Defined Asset, or

(B) which had not been disclosed under **Section 3(i)(iii)(A),** but which had been disclosed to the CEOs and the Parties as part of the referral of the Dispute to the CEOs;

(iv) Nothing in this Section shall preclude a Party from providing the Independent Expert with any reports, estimates or other information requested by the Independent Expert provided such reports, estimates and other information is also provided contemporaneously to the other Party;

(v) With respect to disclosures referred to in **Section 3(i)(iii)(B) and Section 3(i)(iv),** the Independent Expert shall, at the request of the Party receiving the Information, extend the time periods referred to in **Section 3(i)(ii),** taking into account:

(A) the desire of the Parties for an expeditious resolution of the Dispute; and

(B) the principle that the receiving Party must have sufficient time to adequately review, assess and respond to the Information.

The Parties may each make a written submission to the Independent Expert on the appropriate time extension, but the decision of the Independent Expert shall be final;

(vi) Section 6.12 of the DRP is amended such that the Independent Expert shall deliver a written decision within 15 Business Days after receipt of response submissions provided for in **Section 3(i)(ii)**; and

(vii) The decision of the Independent Expert shall be immediately binding on the Parties, and Emera will proceed to submit any required application pursuant to **Section 4(f)** within 20 Business Days after the receipt of the Independent Expert's decision.

4. Outcome of the NS Regulatory Application

(a) No Conditions - If the NS Regulatory Application is:

(i) approved as filed and:

(A) there are no Other Conditions as determined by Emera within 30 days of the Final UARB Determination, or, if there are any Other Conditions, they have been waived by Emera (and, to the extent that Emera cannot, as a result of a Final UARB Determination, comply with any of its contractual commitments to Nalcor under one or more of the ML Agreements, waived by Nalcor); and

(B) the Rate of ROE requested in the NS Regulatory Application has been approved or confirmed in the Final UARB Determination, as confirmed by Emera within 30 days after the Final UARB Determination; or

(ii) approved on the basis of a settlement agreement as filed with, and approved by, the UARB and agreed to by Emera and customer representatives together with any related agreements with Nalcor to facilitate such settlement,

Emera shall proceed to construct and Commission the Maritime Link in accordance with the UARB Decision and the ML-JDA.

(b) Financial Condition - If the NS Regulatory Application is approved with a Financial Condition, and there are no Other Conditions, both determined by Emera within 30 days following the Final UARB Determination, or, if there are any Other Conditions, they have been waived by Emera (and, to the extent that Emera cannot, as a result of a Final UARB Determination, comply with any of its contractual commitments to Nalcor under one or more of the ML Agreements, waived by Nalcor). Emera shall proceed to construct and Commission the Maritime Link in accordance with the UARB Decision and the ML-JDA. The Parties agree that at Emera's sole discretion, and within 15 days of the Final UARB Determination, Emera may, by Notice to Nalcor, elect to be responsible for 100% of any shortfall caused by a Financial Condition. If Emera does not so elect, then by Notice to Nalcor, Nalcor shall be required to invest so as to be responsible for approximately one-third (1/3) of the shortfall in accordance with the specific provisions of **Section 4(c)**;

(c) Nalcor Equity Investment – If Nalcor is required to make the Nalcor Investment, Nalcor and Emera will enter into an agreement (the **"Investment Agreement"**) based on the following methodology and principles (the **"Investment Principles"**):

(i) the Nalcor Investment shall take the form of subscription payments for Class B Preferred Shares (**"Class B Shares"**) in the capital of Emera Newfoundland and Labrador Holdings Inc. or such other entity selected by Emera which is a direct or

indirect holding company of NSPML (the issuer being referred to herein as the **"Issuer"**);

(ii) The Class B Shares shall be non-voting preferred shares, redeemable (in whole or in part, at the option of the Issuer for a redemption price per share equal to the paid up capital (less the cumulative amount of returned capital) per share plus any cumulative unpaid dividends per share), non-transferable and without pre-emptive rights. The liability of the Class B shareholders, as shareholders, shall be limited to the amount of capital invested and committed to be invested (i.e. paid up capital plus unpaid capital not yet paid for the Class B Shares). The Class B Shares will have a priority dividend right over the common shares at the applicable rate provided in **Section 4(c)(v)**, adjusted as provided in this **Section 4(c)(ii)**, and Emera shall guarantee timely payment of the Class B Shares dividends. The paid up capital for the Class B Shares will be returned annually to the Class B shareholders on the same basis that depreciation of rate base assets is treated in the UARB Decision. The dividends on the Class B shares are cumulative, and the dividend rate on the Class B Shares shall annually increase or decrease by the same number of basis points that the approved annual Rate of ROE for NSPML, or the applicable entity referred to in **Section 4(c)(i)**, increases or decreases for 2018 and for each year thereafter.

(iii) As at the Financial Conditions Resolution Date, the Rate of ROE as established by the UARB Decision (the **"UARB Decision ROE"**) will be compared to the Rate of ROE as requested in the NS Regulatory Application (the **"NS Regulatory Application ROE"**); each measured as the average annual Rate of ROE over the years 2013 to 2017. Each such rate will be calculated on a forecast basis as at the Financial Conditions Resolution Date in order to forecast the Rate of ROE for each year to 2017. A forecast of the Rate of ROE for each of the years 2013 through 2017 shall be made using the forecasted equivalent of any formula factors. If the NS Regulatory Application ROE less the UARB Decision ROE is in excess of 75 basis points, or the UARB Decision ROE does not include: (a) a rate certain Rate of ROE for all years of 2013 through and including 2017; (b) a formula or method for the calculation of Rate of ROE for all years of 2013 through and including 2017 (based on forecasts of any formula factors if applicable); or (c) a combination of such rate(s) certain and formula(e) referred to in (a) and (b) which allows for the calculation of Rate of ROE for all years of 2013 through and including 2017; then the UARB Decision ROE shall be deemed to be an Other Condition.

(iv) At COD, the actual Rate of ROE arising from applying the UARB Decision ROE will be compared to the Rate of ROE which would have arisen from applying the NS Regulatory Application ROE; each calculated as the average annual Rate of ROE over the years 2013 to 2017. The Rate of ROE arising from applying the UARB Decision

ROE will be the actual Rate of ROE for each year from 2013 to 2017, calculated using the actual formula factors, if applicable, as approved by the UARB. The NS Regulatory Application ROE for 2013 will be as provided for in **Section 3(b)(ii)**, and for 2014 to 2017 will be the ROE Applied Risk Premium plus the ROE Applied Formula calculated consistent with the manner in which the ROE was filed for in the NS Regulatory Application. At COD, the Rate of ROE which would have arisen from applying the NS Regulatory Application ROE less the actual Rate of ROE arising from applying the UARB Decision ROE shall be determined. Nalcor shall either make a one-time cash payment to Emera or make the Nalcor Investment pursuant to **Section 4(c)(v)**.

(v) Nalcor shall make an investment (the **"Nalcor Investment"**) which will be determined at COD on the following basis:

(1) If the actual Rate of ROE arising from applying the UARB Decision ROE is under 26 basis points from the Rate of ROE which would have arisen from applying the NS Regulatory Application ROE, Nalcor shall not make any investment.

(2) If the actual Rate of ROE arising from applying the UARB Decision ROE is within a range from and including 26 basis points to 50 basis points (inclusive) of the Rate of ROE which would have arisen from applying the NS Regulatory Application ROE, Nalcor will invest $15 million for Class B Shares, which shares shall be entitled to a cumulative preferred dividend of 5.5% per annum, as adjusted pursuant to **Section 4(c)(ii)**. In lieu of this Investment, Nalcor may make, at its option, a one-time cash payment to Emera in the amount of $6 million divided by (1 – the tax rate applicable to NSPML, or the applicable entity referred to in **Section 4(c)(i)**, as at COD).

(3) If the actual Rate of ROE arising from applying the UARB Decision ROE is within a range from in excess of 50 basis points to 75 basis points (inclusive) of the Rate of ROE which would have arisen from applying the NS Regulatory Application ROE, Nalcor will invest $25 million for Class B Shares, which shares shall be entitled to a cumulative preferred dividend of 5.0% per annum, as adjusted pursuant to **Section 4(c)(ii)**. In lieu of this Investment, Nalcor may make, at its option, a one-time cash payment to Emera in the amount of $11 million divided by (1 – the tax rate applicable to NSPML, or the applicable entity referred to in **Section 4(c)(i)**, as at COD).

(vi) Provided all of the forgoing principles are first applied, the equity investment will be structured giving consideration for tax efficiency for the Parties.

(d) Negotiation of Investment Agreement - The Parties shall, as applicable, within 45 days of the Financial Conditions Resolution Date, use commercially reasonable efforts to reach agreement on the Investment Agreement, negotiating in good faith in a manner characterized by honesty in fact and the observance of reasonable commercial standards of dealing, which will effect and implement the Investment Principles, in accordance with the following procedure:

(i) To the extent possible the Parties shall agree on as many of the provisions of the Investment Agreement as possible (**"Agreed Provisions"**) and limit any Specified Dispute under this **Section 4(d)** to only those provisions that cannot be agreed;

(ii) If within 180 days after the commencement of negotiations referred to in this **Section 4(d)** the Parties fail to agree on all of the provisions of the Investment Agreement, any Party may refer the matter to an Independent Expert as a Specified Dispute pursuant to Section 6.1 of the DRP;

(iii) For the purposes of a Dispute under this **Section 4(d)**, the DRP is hereby amended as follows:

(A) Pursuant to Section 6.4 of the DRP, the Terms of Reference of the Independent Expert are to select the proposed Investment Agreement submitted by a Party under this **Section 4** which most closely effects the investment consistent with the Investment Principles. The Terms of Reference are not subject to further agreement between the Parties and the provisions of Section 6.4 of the DRP shall not apply to a Dispute under this provision;

(B) In the submissions under Section 6.9(a) of the DRP, each Party shall include its proposed form of Investment Agreement, which shall include the Agreed Provisions, and which in its view complies with the Investment Principles;

(C) Simultaneous with the submissions under Section 6.9(a) of the DRP, the Parties will jointly submit any Agreed Provisions;

(D) Within 15 days of the completion of the Independent Expert clarifications under Section 6.10 of the DRP, each Party shall simultaneously make a final submission to the Independent Expert on matters referred to in the other Parties' initial submissions or matters referred to in the Independent Expert clarification process;

(E) Under Section 6.12 of the DRP, the decision of the Independent Expert shall be its selection of the proposed Investment Agreement of the Party which most closely effects the investment consistent with the Investment

Principles and the Agreed Provisions. The Independent Expert must select one Party's proposed Investment Agreement in its entirety and shall not select part of one proposed Investment Agreement and parts of another. This decision shall be made within 40 Business Days of the submission of the Parties under this **Section 4(d)**;

(F) Upon the decision of the Independent Expert, the selected Investment Agreement shall immediately be binding on the Parties, and the Parties will execute and deliver the Investment Agreement to each other; and

(G) Each Party shall equally share the costs of the Independent Expert and shall bear its own costs relating to the expert determination.

(iv) The provisions of Article 6 of the DRP shall be amended hereby as is necessary to give effect to these provisions. If the Parties cannot agree on any required amendments, the Independent Expert shall make that determination in its absolute discretion.

(e) Cash not Energy - For greater certainty, Nalcor will only be obligated to provide a money payment and not Energy to compensate Emera for any costs for which Nalcor may be liable under this Sanction Agreement unless Nalcor elects otherwise in its sole discretion pursuant to **Section 3(e)**.

(f) Additional UARB filings - Emera shall have the sole discretion to make any applications to the UARB in addition to the NS Regulatory Application with respect to any matter affecting this Sanction Agreement or the Maritime Link. Notwithstanding the foregoing, the Parties agree that Emera shall apply for UARB approval of that portion, if any, of the DG3 Costs (after taking account of the True Up Adjustment) which are in excess of the Applied For Capital Costs approved as a result of the NS Regulatory Application.

(g) Unapproved Overruns – Subject to the rights of the Parties with respect to Other Conditions, Unapproved Overruns are the amount the Actual Capital Costs exceed the DG3 Costs to the extent that such costs are not approved for recovery by the UARB.

5. Continuation of Negotiations Regarding Maritime Link Development

(a) Negotiations upon Certain Circumstances - Notwithstanding anything to the contrary in this Sanction Agreement, if:

(i) the NS Regulatory Application (including any application Emera may make under **Section 4(f)** for approval of the Maritime Link) is ultimately denied,

(ii) the NS Regulatory Application is approved with Other Conditions, unless waived by Emera (and, to the extent that Emera cannot, as a result of a Final UARB Determination,

comply with any of its contractual commitments to Nalcor under one or more of the ML Agreements, waived by Nalcor);

(iii) by the later of Financial Close or the Financial Conditions Resolution Date any one of the conditions precedent under Section 3.5(A) of the Federal Loan Guarantee Agreement has yet to be satisfied; or

(iv) the results of the System Impact Studies are not satisfactory to each of Emera and Nalcor, each having regard to its own interests and in its sole and absolute discretion,

then Nalcor and Emera will attempt to reach a mutually satisfactory resolution of such issues with the goal of ensuring that the Maritime Link is built. For greater clarity, each Party shall be free to make its own decision as to the resolution of such issues in its sole and absolute discretion.

(b) New Maritime Link - Either Nalcor or Emera may give the other 45 days' Notice of conclusion of the discussions under **Section 5(a),** at which point if Emera has satisfied its conditions precedent under Section 3.5(A) of the Federal Loan Guarantee Agreement, and Nalcor and Emera are both interest holders or owners of the LIL, then:

(i) Nalcor and Emera agree that they shall continue to work together with the intention of developing transmission facilities to be constructed between the Island Interconnected System and the Nova Scotia Transmission System (the **"New Maritime Link"**), and to develop the necessary financial, contractual, and regulatory arrangements required to facilitate the development and construction of the New Maritime Link. Section 1.2(m)(iii) of the ML-JDA applies to this **Section 5(b)(i)**;

(ii) neither Nalcor nor Emera shall construct the New Maritime Link without the involvement and participation of both Nalcor and Emera, unless otherwise agreed; and

(iii) at any time after five years from the date of this Sanction Agreement, either Nalcor or Emera may give the other 90 days' Notice of termination of the commitments provided for in **Section 5(b)(i) and (ii).**

(c) Amendment of the Nova Scotia Transmission Utilization Agreement - If the New Maritime Link is developed and constructed under the arrangements negotiated and executed pursuant to **Section 5(b)(i)**, Emera will provide Nalcor with transmission rights in material accordance with the provisions of the Nova Scotia Transmission Utilization Agreement.

(d) Interim New Brunswick and MEPCO Transmission Rights Agreements - If Emera has satisfied its conditions precedent under Section 3.5(A) (ii) and (viii) of the Federal Loan

Guarantee Agreement, Emera has invested in the Labrador-Island Link and the Maritime Link does not proceed pursuant to the ML-JDA, Nalcor and Emera shall enter into the Interim Agreements referenced in **Schedule 1** in accordance with the terms set out in that schedule.

(e) Transition from ML-JDA – Upon conclusion of the discussions in **Section 5(a)**, Nalcor and Emera will work together to develop the New Maritime Link in accordance with **Section 5(b)** and Sections 8.7(a)-(e) of the ML-JDA will apply and Emera and Nalcor shall share equally any costs imposed on Emera under Section 3.5(A)(viii)(a) of the Federal Loan Guarantee Agreement.

6. Amendments to the Formal Agreements

(a) The Parties agree to make specific amendments to the Formal Agreements for the sole purpose of reflecting the terms of this Sanction Agreement on or before February 15, 2013. For greater certainty, this Sanction Agreement is not contingent upon the execution of any such amendments or amending agreements. If there is a conflict between any provision of this Sanction Agreement and any Formal Agreement, the provision of this Sanction Agreement shall prevail.

(b) For greater certainty (and without derogating from the generality of the foregoing):

(i) Sections 8.1 and 8.2 of the ML-JDA and the definition of Pre-Sanction Costs in the ML-JDA will be amended to ensure that the applicable obligations are triggered at the Financial Conditions Resolution Date rather than the date of Sanction, and that the rights and obligations associated with compensation under those sections will be triggered at that date; and

(ii) Sections 5.2(f)-(h), 5.5(b)-(h), 5.7 and 8.6 of the ML-JDA will be deleted.

Provisions in this Sanction Agreement which are subsequently documented in amendments to the Formal Agreements shall be void upon execution of the amended Formal Agreements as applicable. This Sanction Agreement shall terminate upon the satisfaction of all the obligations of the respective Parties as set out herein.

7. Undertakings

(a) Emera agrees to commence, no later than four weeks after the filing of the NS Regulatory Application, the formal process with the credit rating agencies to obtain indicative credit ratings required to satisfy the condition precedent in Section 3.5(A)(ii) of the Federal Loan Guarantee Agreement. Emera will seek to develop a commercially reasonable schedule to achieve the indicative credit ratings targeting the achievement of such ratings no later than March 31, 2013.

(b) Emera agrees to initiate discussions with Canada by January 15, 2013 regarding the guarantee agreement required to satisfy the condition precedent in Section 3.5(A)(viii) of the Federal Loan Guarantee Agreement. Emera will work with Canada to develop a commercially reasonable schedule targeting the execution of the guarantee agreement by May 31, 2013.

(c) Emera and Nalcor will use commercially reasonable efforts to complete and analyze the System Impact Studies referred to in **Section 5(a)(iv)** with a target date of April 30, 2013.

8. Conditions Precedent

The obligations of Nalcor pursuant to **Section 4(b) and (c)** are conditional upon Emera satisfying the conditions precedent in Sections 3.5(A)(ii) and (viii) of the Federal Loan Guarantee Agreement and providing such confirmation to Nalcor.

9. Nalcor Assignment Rights

(a) General - Nalcor shall not be entitled to assign all or any portion of its interest in this Sanction Agreement, (the "**Nalcor Rights**"), without the prior written consent of Emera, which consent may be arbitrarily withheld, except that, at any time and from time to time, Nalcor, without such consent, shall be entitled to assign all or any portion of its interest in the Nalcor Rights to an Affiliate or Affiliates of Nalcor, provided that Nalcor enters into an agreement with Emera substantially in the form attached to Schedule 4 of the ML-JDA, which is incorporated into this Sanction Agreement by reference.

(b) Agreement to be Bound - No assignment may be made of all or any portion of the Nalcor Rights by Nalcor unless Nalcor obtains the written agreement of all Persons party to the assignment confirming that such Person shall, from and after the date of the assignment, be bound by the provisions of the assigned Nalcor Rights.

(c) Change of Control - A change in the direct or indirect shareholders of or shareholdings in a Nalcor Affiliate Assignee that would result in such Nalcor Affiliate Assignee no longer being an Affiliate of Nalcor will be deemed to be an assignment of Nalcor Rights requiring the prior written consent of Emera pursuant to **Section 9(a)**, which consent may be arbitrarily withheld.

(d) Non-Permitted Assignment - Any assignment in contravention of this **Section 9** will be null and void.

10. Emera Assignment Rights

(a) General - Emera shall not be entitled to assign all or any portion of this Sanction Agreement, (the "**Emera Rights**") without the prior written consent of Nalcor, which consent may be arbitrarily withheld, except that, at any time and from time to time, Emera, without such

consent, shall be entitled to assign all or any portion of its interest in the Emera Rights to an Affiliate or Affiliates of Emera, provided that Emera enters into an agreement with Nalcor substantially in the form attached to Schedule 4 of the ML-JDA, which is incorporated into this Sanction Agreement by reference.

(b) Agreement to be Bound - No assignment may be made of all or any portion of the Emera Rights by Emera unless Emera obtains the written agreement of all Persons party to the assignment confirming that such Person shall, from and after the date of the assignment, be bound by the provisions of the assigned Emera Rights.

(c) Change of Control - A change in the direct or indirect shareholders of or shareholdings in an Emera Affiliate Assignee that would result in such Emera Affiliate Assignee no longer being an Affiliate of Emera will be deemed to be an assignment of Emera Rights requiring the prior written consent of Nalcor pursuant to **Section 10(a)**, which consent may be arbitrarily withheld.

(d) Non-Permitted Assignment - Any assignment in contravention of this **Section 10(a)** will be null and void.

11. Dispute Resolution

This Sanction Agreement shall be subject to the Dispute Resolution Procedure (**"DRP"**) set forth in Schedule 5 of the ML-JDA, which is incorporated into this Sanction Agreement by reference.

12. Governing Law

This Sanction Agreement shall be governed by and construed in accordance with the laws of Newfoundland and Labrador and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. Subject to **Section 11** of this Sanction Agreement, the Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of NL with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

13. Confidentiality

(a) Incorporation of Project NDA – Nalcor and Emera agree that the Project NDA is incorporated in this Sanction Agreement by reference and applies to all Confidential Information disclosed by either Nalcor and Emera to the other under or in connection with this Sanction Agreement, the Party disclosing Confidential Information being a Disclosing Party as defined in the Project NDA, and the Party receiving Confidential Information being a Receiving Party

as defined in the Project NDA. The foregoing shall not apply to any disclosure by a Party required in order to comply with Applicable Law.

(b) Disclosure of Sanction Agreement – Notwithstanding **Section 13(a)**, this Sanction Agreement may be disclosed publicly at any time by or on behalf of either Nalcor or Emera.

14. Legally Binding Commitment

The Parties intend to be and are hereby legally bound by the terms and conditions of this Sanction Agreement.

15. Counterparts

This Sanction Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Sanction Agreement.

16. Expenses of Parties

Except as otherwise provided herein, each Party shall bear its own costs and expenses in connection with all matters relating to this Sanction Agreement, including the costs and expenses of its legal, tax, technical and other advisors.

17. Relationship of the Parties

The Parties hereby disclaim any intention to create by this Sanction Agreement any partnership, joint venture, association, trust, or fiduciary relationship between them. Except as expressly provided herein, neither this Sanction Agreement nor any other agreement or arrangement between the Parties pertaining to the Muskrat Falls Project, Labrador Transmission Assets, Labrador-Island Link, and the Maritime Link shall be construed or considered as creating any such partnership, joint venture, association, trust or fiduciary relationship, or as constituting any Party as the agent or legal representative of another Party for any purpose nor to permit any Party to enter into agreements or incur any obligations for or on behalf of another Party.

18. Further Assurances

Each of the Parties shall, from time to time, do all such acts and things and execute and deliver, from time to time, all such further documents and assurances as may be reasonably necessary to carry out and give effect to the terms of this Sanction Agreement.

19. Severability

If any provision of this Sanction Agreement is determined by a court of competent jurisdiction to be wholly or partially illegal, invalid, void, voidable or unenforceable in any jurisdiction for any reason, such illegality, invalidity or unenforceability shall not affect the legality, validity and enforceability of the balance of this Sanction Agreement or its legality, validity or enforceability in any other

jurisdiction. If any provision is so determined to be wholly or partially illegal, invalid or unenforceable for any reason, the Parties shall negotiate in good faith a new legal, valid and enforceable provision to replace such illegal, invalid or unenforceable provision, which, as nearly as practically possible, has the same effect as the illegal, invalid or unenforceable provision.

20. Time of the Essence

Time shall be of the essence.

21. Amendments

No amendment or modification to this Sanction Agreement shall be effective unless it is in writing and signed by all Parties.

22. No Waiver

Any failure or delay of any Party to enforce any of the provisions of this Sanction Agreement or to require compliance with any of its terms from time to time shall not affect the validity of this Sanction Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any consent or approval given by a Party pursuant to this Sanction Agreement shall be limited to its express terms and shall not otherwise increase the obligations of the Party giving such consent or approval or otherwise reduce the obligations of the Party receiving such consent or approval.

23. No Third Party Beneficiaries

Except as otherwise provided herein or permitted hereby, this Sanction Agreement is not made for the benefit of any Person not a party to this Sanction Agreement, and no Person other than the Parties or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Sanction Agreement.

24. Survival

All provisions of this Sanction Agreement that expressly or by their nature are intended to survive the termination (however caused) of this Sanction Agreement, including covenants, warranties, guarantees, releases and indemnities, continue as valid and enforceable rights and obligations (as the case may be) of the Parties, notwithstanding any such termination, until they are satisfied in full or by their nature expire.

25. Waiver of Sovereign Immunity

A Party that now or hereafter has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by Applicable Law. This waiver includes immunity from (i) any proceedings under the DRP, (ii) any judicial, administrative or other proceedings to aid the DRP, and (iii) any confirmation, enforcement or execution of any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from the DRP or any judicial, administrative or other proceedings

commenced pursuant to this Agreement. Each Party acknowledges that its rights and obligations under this Agreement are of a commercial and not a governmental nature.

26. Successors and Assigns

This Sanction Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

27. Capacity of Nalcor

Nalcor is entering into this Sanction Agreement, and Emera acknowledges that Nalcor is entering into this Sanction Agreement, solely in its own right and not on behalf of or as agent of the NL Crown.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have executed this Sanction Agreement as of the date first written above.

Executed and delivered by Nalcor Energy, in the presence of:

NALCOR ENERGY

By: _____
Name: Ed Martin
Title: President and Chief Executive Officer

By: _____
Name: Derrick Sturge
Title: Vice President, Finance and Chief Financial Officer

_____
Name:

By: _____
Name: Gilbert Bennett
Title: Vice President, Lower Churchill Project

We have authority to bind the corporation.

Executed and delivered by Emera Inc., in the presence of:

EMERA INC.

By: _____
Name: Chris Huskilson
Title: President and Chief Executive Officer

_____
Name: Peter Doig

By: _____
Name: Nancy Tower
Title: Executive Vice-President, Business Development

We have authority to bind the company.

SANCTION AGREEMENT

SCHEDULE 1

PRINCIPLES GOVERNING INTERIM AGREEMENTS

Schedule 1

Principles Governing Interim Agreements

In the event that Interim Agreement(s) are to be entered into by Nalcor and Emera pursuant to **Section 5(d)** of this Sanction Agreement, such agreements shall be implemented by Nalcor and Emera in accordance with this Schedule 1.

1.0 Definitions

The following definitions apply in this Schedule in addition to the definitions provided for in Article 1 of this Sanction Agreement:

"**Bayside Rights**" has the meaning set forth in the NBTUA;

"**Equivalent Rights**" has the meaning set forth in the NBTUA;

"**Interim Agreements**" has the meaning set forth in Section 2.0(a) of this Schedule 1;

"**MEPCO TRA**" means the MEPCO Transmission Rights Agreement;

"**MEPCO Interim Agreement**" has the meaning set forth in Section 2.0(a) of this Schedule 1;

"**MFP First Power Date**" means the day after the date of the start-up and successful completion of testing activities required to demonstrate that one generation unit of the MFP is ready for reliable and safe provision of Energy, Capacity and ancillary services;

"**NBSO**" has the meaning set forth in the NBTUA;

"**NBTUA**" means the New Brunswick Transmission Utilization Agreement;

"**NB Interim Agreement**" has the meaning set forth in Section 2.0(a) of this Schedule 1;

"**NB-Maine Border**" has the meaning set forth in the NBTUA;

"**NB Tariff**" has the meaning set forth in the NBTUA;

"**NS-NB Border**" has the meaning set forth in the NBTUA;

"**QC-NYISO Border**" means a point of interconnection in Canada closest to the border between Quebec and New York where the Hydro-Québec transmission system connects to the transmission system operated by the New York Independent System Operator;

"**QC-NB Border**" means a point of interconnection located at the border of Quebec and New Brunswick where the Hydro-Québec transmission system connects to the NB Power transmission system, as such interconnections may be modified from time to time;

"**Scheduling Protocol**" has the meaning set forth in the NBTUA or the MEPCO TRA, as the context requires; and

"**Tariff Charges**" has the meaning set forth in the NBTUA.

2.0 General

a) Nalcor and Emera shall enter into the Transmission Rights agreements contemplated by this Schedule 1 (the "**NB Interim Agreement**" and the "**MEPCO Interim Agreement**", collectively the "**Interim Agreements**") by no later than the date that is six months following the later of: (i) the date upon which Emera has subscribed for its partnership interest in the LIL, and (ii) the date upon which it is determined that the Maritime Link will not be proceeding as contemplated by the ML-JDA. Nalcor and Emera shall each use commercially reasonable efforts to reach agreement with the other, negotiating in good faith in a manner characterized by honesty in fact and the observance of reasonable commercial standards of fair dealing. In the event that Nalcor and Emera cannot reach agreement on all of the terms and conditions to be included in the Interim Agreements by the foregoing date, then the failure to reach agreement in respect of the outstanding terms and conditions of the Interim Agreements shall be deemed to be a "Dispute" to be resolved pursuant to Section 5.1 of the DRP. In such event, Nalcor and Emera shall be deemed to have agreed to resolve the Dispute by arbitration, in accordance with Section 5.1(e) of the DRP. To the extent possible, Nalcor and Emera shall agree on as many of the terms and conditions as possible and limit any Dispute to only those terms and conditions that cannot be agreed.

b) The Transmission Rights provided for by the Interim Agreements shall become effective on the MFP First Power Date.

c) Subject to Section 3.0(h) of this Schedule 1, the Transmission Rights provided for in the Interim Agreements shall continue in force until the earlier of:
   i. the date that is 50 years following the MFP First Power Date; and
   ii. the date upon which the NBTUA and MEPCO TRA come into effect on the basis described in Section 2.0(d)(ii) of this Schedule 1.

d) Subject to Section 3.0(h) of this Schedule 1, upon commencement of commercial operation of the New Maritime Link following the coming into force of the Interim Agreements:

i. the NBTUA and the MEPCO TRA shall supersede the Interim Agreements and apply in their original forms, except as provided for in this Schedule 1; and

ii. the Transmission Rights granted by the NBTUA and the MEPCO TRA shall come into effect. For greater certainty, the term of such Transmission Rights shall remain as 50 years, with such 50 year term commencing upon the commercial operation of the New Maritime Link, provided that the "First Term" of the NBTUA shall end on March 31, 2026.

3.0 NB Interim Agreement

a) Nalcor and Emera agree that, except as varied expressly or by implication in accordance with this Schedule 1, the covenants, representations and warranties and general provisions set out in the NBTUA shall form the basis of, and be restated in, the NB Interim Agreement. Notwithstanding the foregoing, Nalcor and Emera may, in developing the NB Interim Agreement, mutually agree to make such other variations to the terms of the NBTUA as are necessary or desirable to accommodate changes in circumstances that have arisen since the execution of the NBTUA.

b) The "First Term" of the NB Interim Agreement shall end on March 31, 2026, as currently provided for in the NBTUA.

c) Section 2.1(d) of the NBTUA shall be revised in the NB Interim Agreement to provide that the contemplated Capacity agreement will be entered into by no later than one year prior to the scheduled commissioning of the MFP.

d) Subject to Section 3.0(h) of this Schedule 1, all references in the NBTUA to Nalcor's rights to require that Emera request that the NBSO redirect the point of receipt associated with the Bayside Rights or the Equivalent Rights shall be revised such that:

i. Nalcor shall have the right to require Emera to request the redirection of the point of receipt associated with the Bayside Rights or the Equivalent Rights, as applicable, to either (A) the NS-NB Border, or (B) the QC-NB Border; and

ii. such requests for redirection shall be limited only by provisions of the NB Tariff.

e) The mechanism provided for at Section 2.3(a) of the NBTUA shall be deleted and the mechanisms set forth in Section 2.3(b) of the NBTUA shall be revised to provide that:

i. Nalcor shall be entitled to require Emera to purchase Energy and/or Capacity at the QC–NYISO Border and to re-sell such Energy and/or Capacity to Nalcor at the NB-Maine Border;

ii. The physical transmission losses to be netted shall be those that would have been incurred had such Energy and/or Capacity been transmitted from the QC-NB Border to the NB-Maine Border; and

iii. Sections 2.3(b)(iii) of the NBTUA shall be revised such that Nalcor shall be responsible for the Tariff Charges that would have been payable pursuant to the NB Interim Agreement had the Bayside Rights been utilized by Nalcor to transmit such Energy and/or Capacity from the QC-NB Border to the NB-Maine Border.

f) The mechanism set forth in Section 3.2(b) of the NBTUA shall be revised to provide that the Energy to be purchased by Emera from Nalcor in the contemplated circumstances shall be purchased at the QC–NYISO Border.

g) References in the NBTUA to Nalcor's Transmission Rights being in respect of a path from the NS-NB Border to the NB-Maine Border shall be revised to reflect the specific commercial arrangements and transmission paths provided for by the NB Interim Agreement.

h) By no later than March 31, 2019, Nalcor shall, by Notice to Emera, elect the point of receipt in respect of the Transmission Rights described in Sections 3.1(a) and (b) of the NBTUA, in accordance with the following provisions:

i. Nalcor shall elect either the QC-NB Border or the NS-NB Border;

ii. the election shall be irrevocable; and

iii. if Nalcor elects the QC-NB Border:

1) at no time shall the NBTUA supersede the NB Interim Agreement or have any further effect;

2) the NB Interim Agreement will remain in effect and will terminate on the later of (i) the date that is 50 years following the MFP First Power Date and (ii) if applicable, the date that is 50 years following commencement of commercial operation of the New Maritime Link; and

3) if the election is in respect of the Transmission Rights described in Section 3.1(b) of the NBTUA, then the definition of "NB Transmission Line" shall be revised accordingly to refer to a transmission line from the QC-NB Border to the NB-Maine Border.

i) Nalcor and Emera shall agree that the Scheduling Protocol will be revised, as reasonably required, to reflect any changes necessitated by the commercial arrangements contemplated by the NB Interim Agreement.

4.0 MEPCO Interim Agreement

a) Nalcor and Emera agree that, except as varied expressly or by implication in accordance with this Schedule 1, the covenants, representations and warranties and general provisions set out in the MEPCO TRA shall form the basis of, and be restated in, the MEPCO Interim Agreement. Notwithstanding the foregoing, Nalcor and Emera may, in developing the MEPCO Interim Agreement, mutually agree to make such other variations to the terms of the MEPCO TRA as are necessary or desirable to accommodate changes in circumstances that have arisen since the execution of the MEPCO TRA.

b) Nalcor and Emera shall agree that the Scheduling Protocol will be revised, as reasonably required, to reflect any changes necessitated by the commercial arrangements contemplated by the MEPCO Interim Agreement.