

Technical Briefing- Formal Agreements between Nalcor & Emera

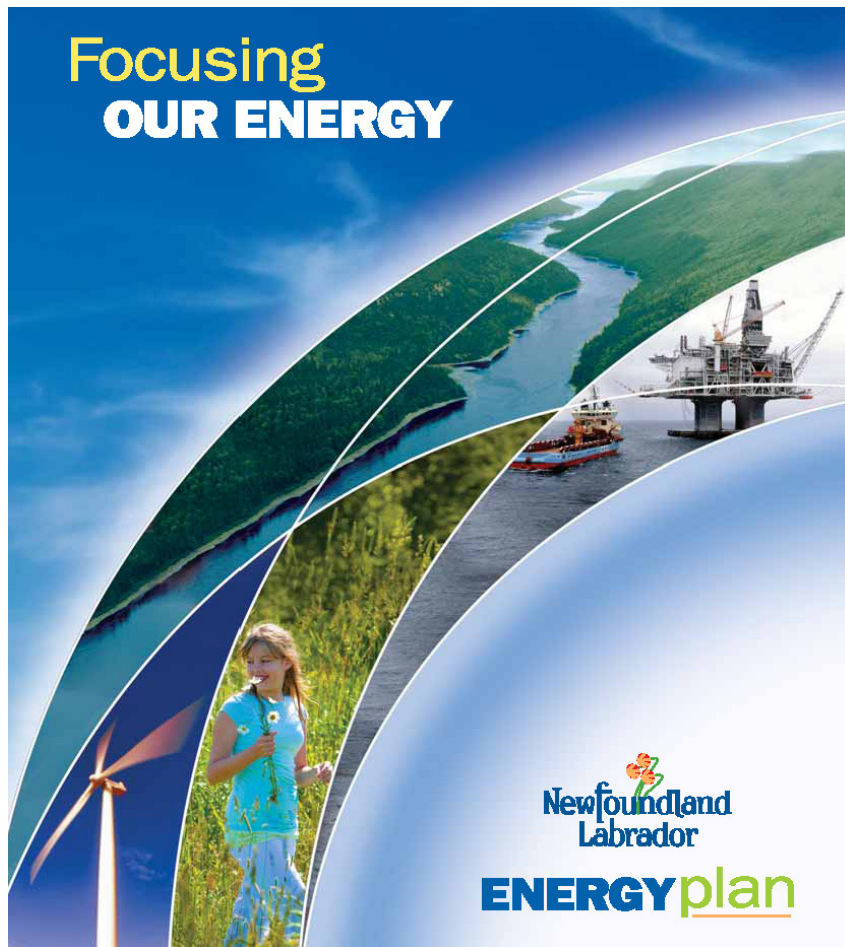
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Boundless Energy

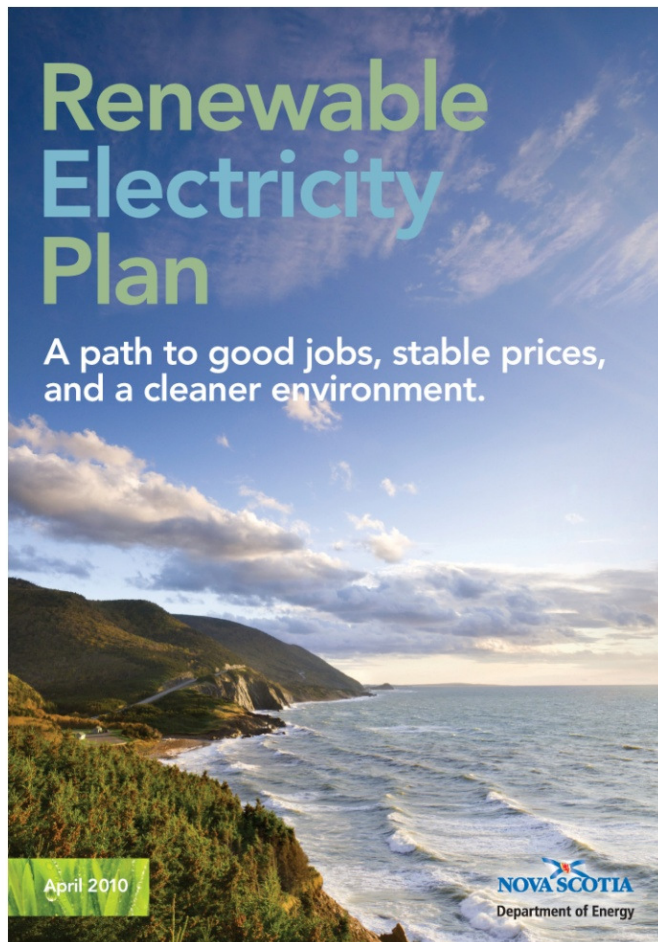


NL Provincial Energy Plan



- Long term focus - 2041
- Energy Warehouse
- Non-renewables to renewables
- Creation of Nalcor
- Opportunity to get it right

NS Provincial Energy Strategy



- 40% renewables requirement by 2020
- Hard caps on GHGs in electricity sector
- Hydro balances other renewables
- Long term price stability

Term Sheet Background

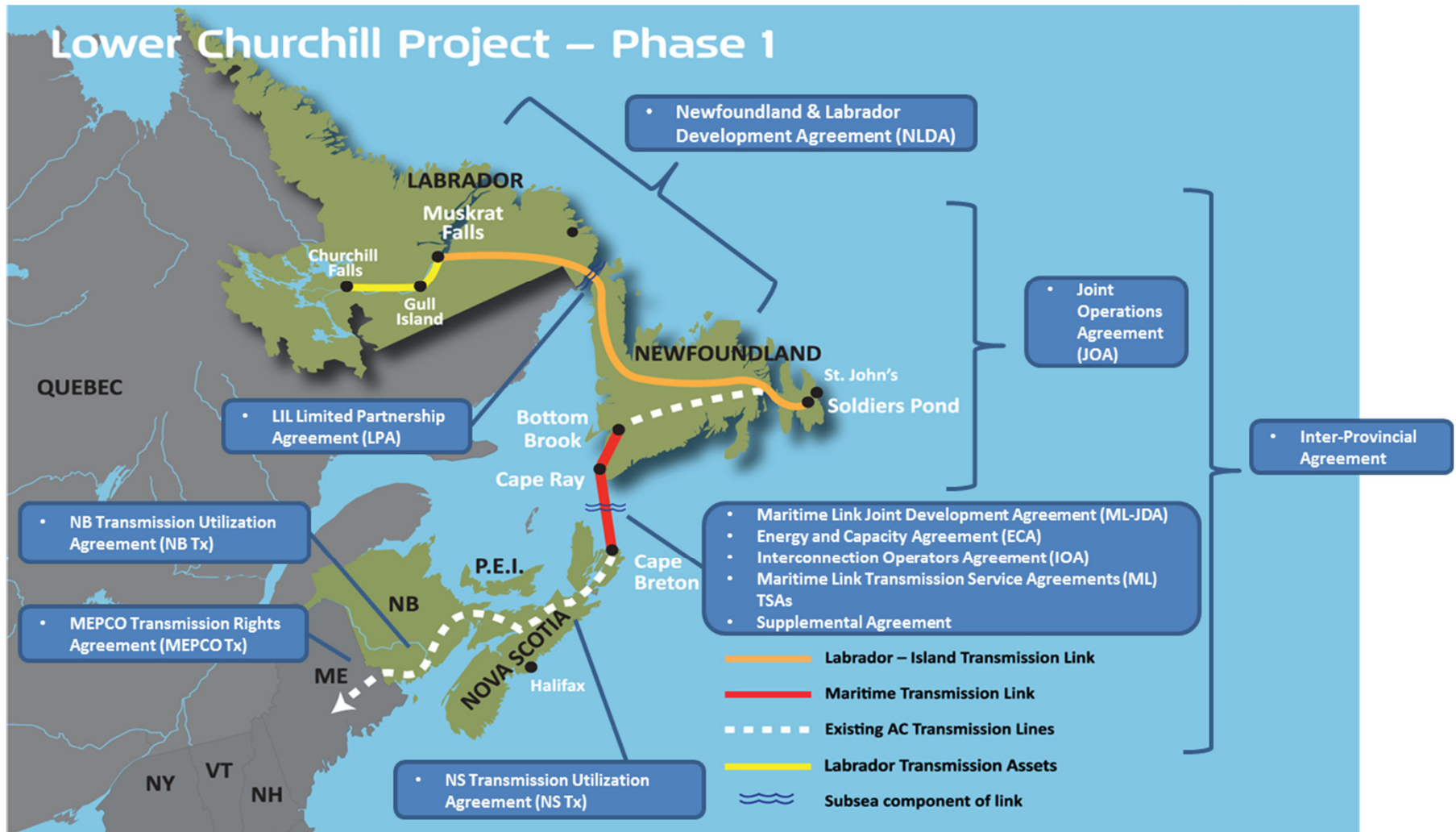
- Nov. 2010, Nalcor announced its decision to proceed with Phase One of the Lower Churchill Project - Muskrat Falls, Labrador-Island Transmission Link (LIL), and the Maritime Transmission Link (ML) to Nova Scotia.
- Preceding the announcement was the execution of a Term Sheet with Emera Inc. of Nova Scotia.
- The Term Sheet has been converted into formal agreements.



Term Sheet Background

- The principles of the Term Sheet are the foundation of the formal agreements.
- The agreements consist of 13 formal agreements with approximately 1,500 pages of contract detail.
- The agreements, which reflect the core principles of the Term Sheet, formalize the transactions agreed to by the parties.

Formal Agreements Reference Map



Overview of Formal Agreements

- In exchange for developing the ML and providing transmission rights in NS, Emera will receive 20% of the output of Muskrat Falls (NS Block).
 - Nalcor receives all transmission rights on the ML in excess of that required to deliver the NS Block.
 - Nalcor receives transmission rights through NS on a pay-as-you-go basis.
 - Emera effectively pays 20% of operating costs of the entire project until Nalcor assumes ownership of the ML for 35 years.
 - Emera pays 20% of total project capital costs for 20% of the energy and capacity from Muskrat Falls (NS Block).

Overview of Formal Agreements

- The NS Block is delivered in exchange for Emera developing, owning and operating the ML and providing Nalcor with transmission rights on the ML and through NS.
- The arrangement is premised on a 50 year service life for the ML.
 - In exchange for a term shorter than the service life, Emera shall receive Supplemental Energy in the first five years.
- In exchange for Emera's investment in the LIL, Nalcor receives transmission rights in New Brunswick and New England and is to be provided the opportunity to invest in existing and future Emera investment opportunities up to the amount of Emera's investment in the LIL.

Overview of Formal Agreements

- Nalcor provides Emera with the investment opportunity in the LIL.
 - Emera entitled to 49% ownership of the Lower Churchill Project transmission assets on following principles:
 - LTA, 100% Nalcor-owned;
 - ML, 100% Emera; and
 - LIL, at a percentage based on the estimated capital costs of each transmission asset at sanction of the LIL, adjusted when actual costs are finally determined.
- Emera provides NB and NE transmission rights.
 - In NB, using Bayside rights until their expiry, replaced with equivalent rights or development of new transmission.
 - In NE, through use of the Maine Electric Power Company Inc. (MEPCO) rights.



Labrador-Island Link

Formal Agreements

- 13 formal agreements have been created:

1. Maritime Link Joint Development Agreement

- Establishes the Joint Development Committee and governance structure for the ML project.
- Provides for pre-sanction activities and sharing of related costs.
- Provides for project sanction in accordance with the Term Sheet.
- Provides for the basis of design of the ML and project implementation.
- Details the terms for development of the ML and sharing of cost overruns.



Maritime Link

Formal Agreements

2. Energy and Capacity Agreement

- Provides for delivery of the NS Block during the initial term (35 years).
- Provides for a subsequent term(s) should Nalcor and Emera arrive at mutually agreeable terms including price.

3. Maritime Link (Emera) Transmission Service Agreement

- Establishes the transmission rights for delivery of the NS Block and related assignment provisions in favour of Nalcor to enable delivery of the NS Block to the delivery point (Woodbine, NS).

4. Maritime Link (Nalcor) Transmission Service Agreement

- Provides for the establishment of all remaining transmission rights over the ML in favour of Nalcor for export/import purposes.

Formal Agreements

5. Nova Scotia Transmission Utilization Agreement
 - Establishes the commitments by Emera to schedule and deliver energy for Nalcor through NS on a pay-as-you go basis for the initial term referred to in the Energy and Capacity Agreement.
 - Establishes the terms for transmission service for a subsequent term or during the 15 years following the initial term, as applicable.



Formal Agreements

6. Joint Operations Agreement

- Establishes the Joint Operations Committee for the transmission assets.
- Provides for standards of operation for the transmission assets.
- Provides the mechanism for 80/20 sharing of operating costs of all project assets.
- Establishes the conditions for the transfer of the ML to Nalcor after 35 years following First Commercial Power under the Energy and Capacity Agreement.

Formal Agreements

7. Newfoundland and Labrador Development Agreement

- Establishes the Joint Development Committee for the non-ML assets.
- Provides the mechanics related to the funding of the LIL.
- Establishes the capital structure and rate of return for Emera in accordance with the Term Sheet.

8. Labrador-Island Link Limited Partnership Agreement

- Establishes the structure for the partnership and how the partnership is managed.
- Provides the mechanics for distributions to the partners after first commercial power.

Formal Agreements

9. New Brunswick Transmission Utilization Agreement

- Provides for the use of the Bayside Transmission Rights on a pay-as-you-go basis while the Bayside Rights are available to Emera.
- Provides for equivalent rights through NB on a pay-as-you-go basis once the Bayside Rights are no longer available to Emera.
- In both cases, provides Nalcor with a financial back-stop should the rights not be available for Nalcor's use in accordance with the Term Sheet.

10. MEPCO Transmission Rights Agreement

- Provides for the use of the MEPCO Transmission Rights on a pay-as-you-go basis if required by Nalcor.
- Provides for an absolute assignment of the MEPCO Transmission Rights to Nalcor (if requested by Nalcor).

Formal Agreements

11. Interconnection Operators Agreement

- Establishes the terms regarding safety, reliability and operability of the interconnection between the NL and NS bulk energy systems.
- Provides for an Interconnection Operators Committee to implement the provisions of the Agreement.
- Provides the framework for agreements on reserve sharing, emergency energy and regional generation adequacy reviews.

Formal Agreements

12. Supplemental Agreement

- Serves as a formal memorandum of certain possible future activities and transactions referred to in the Term Sheet to facilitate future discussion between Nalcor and Emera.
- Contains non-binding provisions from the Term Sheet relating to:
 - the possible provision of additional short-term energy to Emera.
 - provisions relating to a possible ML Expansion and a possible ML Redevelopment.

13. Inter-Provincial Agreement

- Both provinces working together in cooperation to ensure continued and ongoing success of the formal agreements.