

HER MAJESTY IN RIGHT OF NEWFOUNDLAND AND LABRADOR

and

HER MAJESTY IN RIGHT OF NOVA SCOTIA

and

NALCOR ENERGY

and

EMERA INC.

INTER-PROVINCIAL AGREEMENT

July 31, 2012

THIS AGREEMENT is made the 31st day of July, 2012.

BETWEEN:

HER MAJESTY IN RIGHT OF NEWFOUNDLAND AND LABRADOR, as represented by the Minister of Natural Resources ("**NL**", a "**Government Party**")

- and -

HER MAJESTY IN RIGHT OF NOVA SCOTIA, as represented by the Minister of Energy ("**NS**", a "**Government Party**" and with NL, the "**Government Parties**")

- and -

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 NL ("**Nalcor**")

- and -

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

(each a "**Party**" and collectively the "**Parties**")

WHEREAS:

- A. Nalcor and Emera entered into a term sheet dated November 18, 2010 (the "**Term Sheet**") confirming their common understanding of the purpose, process and timing for transmission services and 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 (the "**Project**");
- B. the Project consists of five components: (1) an 824 MW generating facility to be located at Muskrat Falls, Labrador; (2) a transmission system to transmit energy and capacity between the generating facility located at Muskrat Falls and the generating facility located at Churchill Falls; (3) a transmission system to transmit energy and capacity from central Labrador to Soldiers Pond; (4) a transmission system to transmit energy and capacity from the Island of Newfoundland to Nova Scotia; and (5) transmission rights in favour of Nalcor to transmit energy and capacity to and through Nova Scotia and New Brunswick and into New England;
- C. Nalcor and Emera have entered into a series of commercial arrangements setting out the terms upon which they shall undertake the development, construction and operation of the Project, a list of which is set out in the attached **Schedule 1** (the "**Formal Agreements**");

- D. the Formal Agreements have been negotiated to give effect to the terms set forth in the Term Sheet; and
- E. each of the Government Parties has expressed its commitment to support the Project as being beneficial for the citizens of Newfoundland and Labrador, and Nova Scotia, respectively;

NOW THEREFORE, the Parties agree as follows:

Effective Date and Sanction as Conditions Precedent

- 1. Notwithstanding any provision of this Agreement, this Agreement shall only come into force and effect upon the sanction of the Maritime Link transmission facility, as such process is described in the Formal Agreements.
- 2. The date of such sanction decision by Emera or Nalcor, as applicable, shall be the “**Effective Date**”.

Treatment of Project and Formal Agreements

- 3. To the extent that a Government Party has any legislative authority with respect to the Project or the Formal Agreements, each Government Party acknowledges that the other Parties are relying upon the good faith of the Government Party to maintain substantially the legislative and regulatory framework applicable to the Project and the Formal Agreements as of the Effective Date, subject to subsequent legislative amendments contemplated as part of the Project implementation and legislation of general application, and to the extent that doing so is in the public interest and, without limiting the generality of the foregoing, is consistent with governmental responsibilities, including responsibility for ensuring proper management of its resources, the protection and maintenance of public health and safety and the protection of the environment.

Indemnification by Government Party

- 4. NL hereby:
 - (a) agrees to indemnify Nalcor for any amounts paid in damages to Emera arising pursuant to Section 8.6(a)(ii) of the Energy and Capacity Agreement and for an event of Nalcor Default as set forth in Section 8.1(f) of the Energy and Capacity Agreement, where those damages were caused by an action of NL; and
 - (b) guarantees to Emera that it shall pay to Emera on demand damages owing by Nalcor arising pursuant to Section 8.6(a)(ii) of the Energy and Capacity Agreement and resulting from an event of Nalcor Default as set forth in Section 8.1(f) of the Energy and Capacity Agreement, where those damages were caused by an action of NL, to the extent any such damages remain unpaid 60 days after such damages have been finally determined, or if for reason of dissolution or corporate incapacity,

bankruptcy, insolvency or court-ordered creditor protection Nalcor does not make payment of such damages.

5. NS hereby:

- (a) agrees to indemnify Emera for any amounts paid in damages to Nalcor:
 - (i) arising pursuant to Section 7.6(a) of the Maritime Link (Nalcor) Transmission Service Agreement;
 - (ii) for an event of Emera Default as set forth in Section 7.1(g) of the Maritime Link (Nalcor) Transmission Service Agreement;
 - (iii) arising pursuant to Section 8.4(a) of the Nova Scotia Transmission Utilization Agreement; and
 - (iv) for an event of Emera Default as set forth in Section 8.1(g) of the Nova Scotia Transmission Utilization Agreement,

where those damages were caused by an action of NS; and

- (b) guarantees to Nalcor that it shall pay to Nalcor on demand damages owing by Emera:
 - (i) arising pursuant to Section 7.6(a) of the Maritime Link (Nalcor) Transmission Service Agreement;
 - (ii) resulting from an event of Emera Default as set forth in Section 7.1(g) of the Maritime Link (Nalcor) Transmission Service Agreement;
 - (iii) arising pursuant to Section 8.4(a) of the Nova Scotia Transmission Utilization Agreement; and
 - (iv) resulting from an event of Emera Default as set forth in Section 8.1(g) of the Nova Scotia Transmission Utilization Agreement,

where those damages were caused by an action of NS, to the extent any such damages remain unpaid 60 days after such damages have been finally determined, or if for reason of dissolution or corporate incapacity, bankruptcy, insolvency or court-ordered creditor protection Emera does not make payment of such damages.

6. For the purposes of **Sections 4 and 5**, "damages were caused by an action" of a Government Party means a measure or measures which cause Nalcor or Emera, as applicable, to be deprived of the delivery, enjoyment or access to: (a) for Nalcor, (i) the Point-To-Point Transmission Service (as defined in the Maritime Link (Nalcor) Transmission Service Agreement) provided to Nalcor under the Maritime Link (Nalcor) Transmission Service Agreement, or (ii) the NS Transmission Rights (as defined in the Nova Scotia Transmission Utilization Agreement), and (b) for Emera, the Nova Scotia Block (as defined in the Energy

and Capacity Agreement), unless and except as with the consent of the affected Party or provided expressly for in the Formal Agreements or this Agreement.

7. The Parties acknowledge that notwithstanding any other provision of this Agreement:
 - (a) any damages payable pursuant to the Formal Agreements shall be net of any compensation paid or payable to the affected Party or Parties by the Government Party who has undertaken the action in question; and
 - (b) no amendment to the sections of the Formal Agreements referred to in **Sections 4 and 5** above, nor any other amendment to the Formal Agreements which have the effect of changing the damages payable pursuant to the Formal Agreements, from that which existed under the Formal Agreements as they existed as of the Effective Date, shall be binding upon either Government Party for the purposes of this Agreement unless that Government Party has approved and consented to such amendments in writing.

Nalcor-Only Sanction

8. If Emera does not sanction the Maritime Link and Nalcor alone sanctions the Maritime Link, this Agreement is to be read with the following modifications:
 - (a) references to the Energy and Capacity Agreement throughout shall include any replacement power purchase agreement for the Nova Scotia Block or other acceptable regulatory arrangements (which shall be deemed to be a Formal Agreement) and the comparable provisions therein; and
 - (b) references to the Maritime Link (Nalcor) Transmission Service Agreement and the Nova Scotia Transmission Utilization Agreement throughout shall include any replacement transmission service agreements (which shall be deemed to be a Formal Agreement) and the comparable provisions therein, and in **Section 5** above shall also include references to the power purchase agreement and other acceptable regulatory arrangements referred to in (a) above.

Reliance on Representations

9. Each Government Party acknowledges that, in entering into the Formal Agreements and undertaking to develop, construct and operate the Project, each of Nalcor and Emera rely upon the agreements of the Government Parties contained in this Agreement and the good faith of the Government Parties.
10. Each of Nalcor and Emera acknowledges that the Government Parties are relying upon the good faith of each of Nalcor and Emera to carry out its undertakings in the development, construction and operation of the Project.

Agreement Binding

11. Nalcor is entering this Agreement and the Parties acknowledge that Nalcor is entering this Agreement solely in its own right and not on behalf of or as agent of NL.
12. Except as set forth in **Section 16**, this Agreement is solely for the benefit of the Parties hereto and no assignment or transfer of this Agreement or any of the rights of a Party hereunder shall be permitted without the consent of the other Parties.

Term

13. This Agreement shall terminate:
 - (a) three years from the date of execution, if the Maritime Link has not been sanctioned; or
 - (b) upon the expiry of all of the Energy and Capacity Agreement, the Maritime Link (Nalcor) Transmission Service Agreement and the Nova Scotia Transmission Utilization Agreement, including renewals or extensions thereto, and in the event **Section 8** applies, including any replacements thereof as described in **Section 8**.

Choice of Law and Forum

14. This Agreement shall be governed and interpreted in accordance with:
 - (a) the laws of Newfoundland and Labrador, and the laws of Canada applicable therein, in respect to a claim against NL under this Agreement; and
 - (b) the laws of Nova Scotia, and the laws of Canada applicable therein, in respect to a claim against NS under this Agreement,

and any proceeding will be brought in the courts of competent jurisdiction of the applicable jurisdiction, subject to any right to appeal.

Review of Formal Agreements

15. The Government Parties have been provided with copies of the Formal Agreements and consent to the damages methodology referred to in **Sections 4** and **5**.
16. The Government Parties also (a) acknowledge that it is contemplated by Nalcor and Emera to assign certain of the Formal Agreements to their Affiliates (as such term is defined in the Energy and Capacity Agreement) and (b) agree that the rights (including the indemnity and guarantee) provided to Nalcor and Emera in this Agreement are provided to the Affiliates of Nalcor and Emera which become party to one or more of the Formal Agreements in accordance with the provisions of the applicable Formal Agreement. Nalcor and Emera, as the case may be, shall be entitled to enforce (without duplication) these rights against the applicable Government Party on behalf of such Affiliates.

Disclosure of Agreement

17. Each Party hereby agrees to each of the other Parties making this Agreement public at any time and from time to time after this Agreement is executed by each of the Parties.

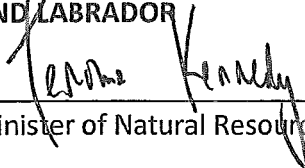
Counterpart Execution

18. This Agreement may be executed in any number of counterparts, each of which will be considered an original of this Agreement, and which together will constitute one and the same instrument. No Party will be bound to this Agreement unless and until all Parties have executed a counterpart. A facsimile signature or an otherwise electronically reproduced signature of any Party shall be deemed to be an original.

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Executed this 31st day of July, 2012.


HER MAJESTY IN RIGHT OF NEWFOUNDLAND
AND LABRADOR

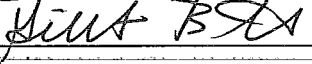


Minister of Natural Resources

NALCOR ENERGY





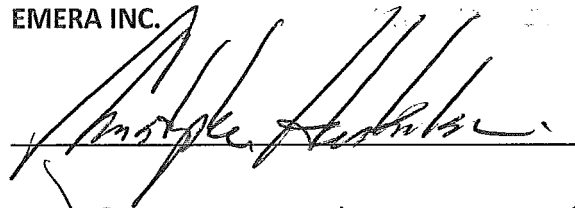


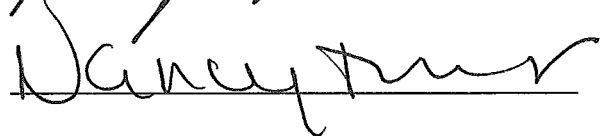
We have authority to bind the corporation

HER MAJESTY IN RIGHT OF NOVA SCOTIA

Minister of Energy

EMERA INC.





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Executed this 31st day of July, 2012.

**HER MAJESTY IN RIGHT OF NEWFOUNDLAND
AND LABRADOR**

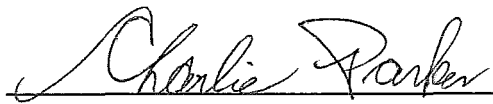
NALCOR ENERGY

Minister of Natural Resources

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HER MAJESTY IN RIGHT OF NOVA SCOTIA

EMERA INC.



Minister of Energy

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INTER-PROVINCIAL AGREEMENT

SCHEDULE 1

FORMAL AGREEMENTS

FORMAL AGREEMENTS

1. Maritime Link Joint Development Agreement
2. Energy and Capacity Agreement
3. Maritime Link (Nalcor) Transmission Service Agreement
4. Maritime Link (Emera) Transmission Service Agreement
5. Nova Scotia Transmission Utilization Agreement
6. New Brunswick Transmission Utilization Agreement
7. MEPCO Transmission Rights Agreement
8. Interconnection Operators Agreement
9. Joint Operations Agreement
10. Newfoundland and Labrador Development Agreement
11. Labrador-Island Link Limited Partnership Agreement
12. Inter-Provincial Agreement
13. Supplemental Agreement