

Response from Nalcor Energy

The following questions were submitted prior to Nalcor Energy's 2013 Annual General Meeting

Many of these questions were asked and answered at Nalcor's Annual General Meeting on June 5, 2013. The entire AGM is now available online at: www.nalcorenergy.com/agm-2013.asp including the full question and answer session.

1. Please outline Muskrat Falls spending by month:

- Will you commit to making monthly spending on the Muskrat Falls Project public on the 15th of each month?
- What financial commitments to infrastructure for the Muskrat Falls Project have been made?

Nalcor Energy committed to providing monthly benefits reports for the Muskrat Falls Project in the Lower Churchill Construction Projects Benefits Strategy signed with the Government of Newfoundland and Labrador. A copy of the Benefits Strategy can be found on the Muskrat Falls Project website at www.muskratfalls.nalcorenergy.com.

Every month since sanctioning of Muskrat Falls, Nalcor has provided detailed monthly project reports to government outlining expenditures, employment, benefits and procurement information. These reports are submitted to government and made public around the 15th of each month. Reports are posted on the Muskrat Falls Project website at www.muskratfalls.nalcorenergy.com.

Included in these reports is detailed monthly expenditures for the Muskrat Falls Project, including information on awarded contracts.

2. Muskrat Falls employment:

- Will you commit to making the employment statistics for the Muskrat Falls project public every month?
- Hiring protocol – concerns from Labrador that the hiring protocol is not being followed and that Labradorians are being blocked from employment. What is Nalcor doing to address this issue and give Labradorians the work that they were promised?

Nalcor has been providing detailed information on employment statistics to the public and posts this information monthly on our Muskrat Falls Project website at

www.muskratfalls.nalcorenergy.com. Monthly employment benefits are presented in the report according to total employment figures, employment by National Occupation Code (NOC), by location of work, residency and specialized engineering, by Aboriginal affiliation and gender.

Newfoundlanders and Labradorians are benefitting from employment opportunities related to the Muskrat Falls Project. Over the month of April 2013, a total of 529 people worked on site in Labrador for the Project. Of those:

- 38% (199 people) are residents of Labrador; and approximately half of those from Labrador are members of Labrador Aboriginal groups.
- 50% (268 people) are from the island of Newfoundland.
- 12% (62 people) were from outside the province.

The Benefits Strategy between Nalcor and the Government of Newfoundland and Labrador establishes a hiring protocol for the Muskrat Falls Project. Commitments made in the Impacts and Benefits Agreement with Labrador's Innu Nation are a priority, followed by consideration of employment for qualified residents of Newfoundland and Labrador. Detailed information about the hiring protocol is outlined in the Benefits Strategy.

Nalcor encourages any individual who may have a concern regarding hiring processes for the Muskrat Falls Project to contact Nalcor directly at: info@lowerchurchillproject.com.

3. Nalcor Energy's increased corporate costs:

- Corporate costs were up \$2.5M from 2011 to 2012 (\$10.5M in 2012).
- Why are corporate costs up?
- Can you provide remuneration details for each of the executive team (VP level and above)?

The increase in corporate costs of \$2.5M year over year primarily stems from changes to the present value of Nalcor Energy's long-term payables. Such changes, known as 'accretion' are non-cash expenses recorded on the company's income statement.

The long-term payables and related accretion expense are further outlined in Note 12 to the Consolidated Financial Statements (page 60 of the 2012 Business and Financial Report). A portion of this accretion expense is offset by earnings on investments held to fund the obligation resulting in a total impact of \$1.4 million.

The remainder of the \$2.5M increase is primarily related to other interest costs associated with short-term borrowing and normal cost of living increases associated with salaries and related expenses.

Nalcor Energy 2012 Executive Team compensation:

Name	Title	Base Earnings	Performance Contract & Allowances
Bennett, Gilbert	Vice President, Lower Churchill Project	\$252,874.01	\$58,757.04
Dalley, Dawn	Vice President, Corporate Relations	\$164,676.95	\$41,940.00
MacIsaac, John	Vice President, Project Execution & Technical Services	\$245,057.33	\$53,957.34
Martin, Edmund	President and CEO	\$476,748.17	\$141,425.48
McDonald, Gerard	Vice President, Human Resources & Organizational Effectiveness	\$197,241.53	\$48,955.82
Sturge, Derrick	Vice President and Chief Financial Officer	\$257,875.86	\$60,846.01
Haynes, James	Vice President, Regulated Operation, Newfoundland and Labrador Hydro	\$233,907.41	\$51,773.56
Keating, Jim	Vice President, Oil and Gas	\$233,300.11	\$59,565.69
Kieley, Chris	Vice President, Strategic Planning & Business Development	\$197,261.34	\$51,356.07
MacNeill*, Andrew	Vice President, Churchill Falls	\$87,579.74	\$29,957.93

*Employment until June 24, 2012

4. Status of the Maritime Link hearings being held by the UARB in Nova Scotia

- How are the UARB hearings affecting the Muskrat Falls Project?
- If the Maritime Link is rejected what is Nalcor's backup plan?
- Why did Emera NL say in their UARB submissions and opening statement that Nalcor Energy is paying for 80% of the Maritime Link? Officials in Newfoundland and Labrador have always said Emera was paying 100% of the Maritime Link.

Nalcor Energy is committed to the Maritime Link with Emera Inc. as outlined in the sanction agreement. For 20 per cent of the project cost, Emera will purchase 20 per cent of the power for use in Nova Scotia, with Newfoundland and Labrador securing electricity transmission rights to flow surplus electricity to export markets. This has not changed since formal agreements with Emera were reached in July 2012.

While the business case of the Muskrat Falls Project was based on meeting Newfoundland and Labrador's domestic energy needs, Nalcor recognizes there are business opportunities outside of Newfoundland and Labrador associated with the development of the Muskrat Falls Project, and the province's entire energy warehouse. Nalcor is working with Emera to export power

over the Maritime Link that is surplus to the province's domestic needs. The Maritime Link opens new avenues for export sales that will generate additional long-term revenues for our province, and we intend to work with Emera to keep it at its maximum capability for the export of clean, renewable energy over its entire life by identifying and pursuing market opportunities which provide an appropriate return.

Emera is committed to the construction of the Maritime Link, as indicated in the Sanction Agreement for the Project. Nalcor will not speculate on the outcome of the UARB hearings, and will consider appropriate steps upon release of a decision.

5. Status of the Federal Loan Guarantee

- If the UARB rejects or places conditions on the Maritime Link, what happens to the Federal Loan Guarantee?
- Is Nalcor borrowing on the Federal Loan Guarantee now, as the Premier suggested on May 27?

Nalcor Energy and Emera Inc. are committed to the Maritime Link as outlined in the sanction agreement. This is a regional project and building the Maritime Link will bring tremendous value to the Atlantic region. There are no conditions precedent requiring UARB approval of the Maritime Link in the federal loan guarantee.

On May 27, 2013, Premier Dunderdale announced that Nalcor Energy launched the Request for Financing process for the Muskrat Falls Project. Nalcor has commenced the request for financing process and is inviting proposals for the purpose of raising debt financing for the project. Nalcor is not currently borrowing against the federal loan guarantee.

6. Is there a potential of the Maritime Link going to New Brunswick as was suggested in the UARB hearings?

- What role would Nalcor Energy play in this new line potential?

As indicated in the sanction agreement, Nalcor and Emera are committed to construction of the Maritime Link and Nalcor will not speculate on the outcome of the UARB hearings, and will consider appropriate steps upon release of a decision next month.

7. Energy Marketing:

- Why was there a decrease in Nalcor's revenue of \$25.9M last year?
- Where was the majority of the energy sold?
- What was the average price per KWH realized from these sales?

Electricity prices are influenced by fuel supply costs, and in particular the cost of natural gas in the US Northeast. In 2012, the US Northeast experienced its warmest winter in recorded history resulting in lower demand for electricity. This also resulted in lower demand for natural gas, which is used for both space heating and electricity generation. Gas production remained relatively high despite this lower demand, and gas-in-storage levels rose throughout the early winter (in contrast to the draw down in gas storage that normally occurs). The resulting effect, in March 2012 gas prices plummeted to 13-year lows (less than \$2/mmBTU). Overall, the combination of high gas production with low demand saw electricity prices drop dramatically. Following the low winter gas demand, gas was in oversupply throughout the summer months and price recovery didn't begin until September 2012. Gas prices have since rebounded with the commensurate recovery in electricity price futures.

In 2012, most of the energy was sold into New York and Ontario (about 75 per cent). The average price realized from these sales in 2012 was \$30 per megawatt hour.

8. How much did Nalcor make for selling power from the former Exploits River Partnership?

- How much is Nalcor paying per year for the assumed debt from the 2008 expropriation?

On behalf of the Province of Newfoundland and Labrador Nalcor is operating a number of energy assets in the Central Newfoundland area (the Exploits Assets) which were expropriated through the Abitibi-Consolidated Rights and Assets Act (the Abitibi Act) passed in December 2008. These assets include hydroelectric generating facilities in Grand Falls, Bishop's Falls, Buchans and Star Lake. When the Abitibi Act was passed, ownership of these energy assets reverted to the Province and the Power Purchase Agreements (PPAs) that were in place between the partnerships and Newfoundland and Labrador Hydro (Hydro) were cancelled.

Since taking over the operation of the Exploits Assets, Nalcor has been operating them on a cost recovery basis. These costs would include operating and capital costs as well as any loan payments made on outstanding partnership debt obligations. Nalcor has recovered all costs associated with operating the assets (including debt service costs) and there is a net payable to the Province, by Nalcor, of \$22 million as of March 2013.

Prior to the expropriation, Newfoundland and Labrador Hydro (Hydro) was committed to paying to the partnerships a PPA rate of approximately seven to eight cents per kilowatt hour

(kWh). In 2011, on direction from the provincial government Cabinet, the rate was changed and all of the power was valued at a rate of four cents per kWh. This has resulted in a reduction in costs and a subsequent increase in net income for Hydro. This access to lower cost Exploits power has allowed Hydro to defer applying for electricity rate increases.

In addition, rate payers have also seen a significant benefit in displaced fuel costs, as purchasing power from these facilities has displaced generating this energy at the Holyrood Thermal Generating Station.

Annual payments of blended principal and interest are \$11.4 million. As referenced above, these annual payments are recovered from revenues generated from the sale of power to Hydro.

9. What is the status of the Environmental Impact Statement (EIS) for the Muskrat Falls Transmission Development?

- What is the status of the Maritime Link EIS?
- Have you accounted for the possibility of more legal challenges related to the splitting of environmental assessments of the project?

On June 21, 2013, Nalcor Energy received release from environmental assessment for the Labrador-Island Transmission Link from the Government of Newfoundland and Labrador. The company is currently reviewing governments' responses. Nalcor is pleased that the provincial government has accepted the analysis and mitigation measures provided for the transmission project, and validated years of research and consultation completed throughout the environmental assessment process. We will incorporate the conditions required as part of the project's release as we move forward.

The review process for the transmission project was initiated in January 2009, when Nalcor registered the project with the Newfoundland and Labrador and Canadian environmental regulatory bodies. Since that time, Nalcor has conducted extensive environmental studies to help identify and mitigate potential environmental impacts of the transmission project, including significant consultation with Aboriginal, regulatory and public stakeholders to address environmental concerns.

Nalcor is looking forward to the next step in the federal environmental assessment process – the release of the comprehensive study report for the transmission project.

Throughout the environmental assessments for both the Lower Churchill Hydroelectric Generation Project and the Labrador-Island Transmission Link Project, Nalcor has fully complied

with guidelines and requirements established by the federal and provincial regulatory authorities. The generation project has been released from environmental assessment, and in two previous instances the Supreme Court of Canada has ruled in favour of the parameters established for that assessment.

Emera Newfoundland and Labrador (ENL) is seeking environmental regulatory approvals to construct and operate the Maritime Link Transmission Project between Newfoundland and Cape Breton, Nova Scotia. On June 21, 2013, the Maritime Link received federal and provincial release from the environmental assessment process. For more information about this regulatory process and release, please visit their website at www.emeranl.com.

10. What is the current role of SNC-Lavalin in the project?

- Has that role changed?
- Have any of the executives at SNC-Lavalin involved in alleged criminal activity had anything to do with the Lower Churchill project? If so, can you explain their roles?

SNC-Lavalin (SNC) was awarded an Engineering, Procurement and Construction Management (EPCM) Services Contract and is a Consultant to Nalcor Energy for the Lower Churchill Project. SNC specializes in hydroelectric developments, transmission, High-Voltage direct current and civil works. SNC have the Engineering responsibility for Muskrat Falls, Labrador Transmission Assets and Labrador-Island Link with the exception of the Strait of Belle Isle marine cable crossing, which is a Nalcor responsibility using consultants and contractors who specialize in sub-sea cables, horizontal directional drilling and marine environments.

As with any major project there are different phases of the project, the engineering phase is nearing completion, procurement and contracting is well advanced, and by the end of 2013 both engineering and procurement will move to a "follow-on" phase. The emphasis of the Project Delivery Team is now shifting from engineering and procurement into the construction management phase. This is a normal course of events and as construction progresses further, there will be a transition to the commissioning/start-up and operations phase. It is normal procedure for any owner to gradually take on a greater role as the project moves through these phases. The Lower Churchill Project is no different in this regard the Project Delivery Team will adapt to the project phases and will call upon the EPCM services of SNC and other specialist consultants to support the Project Delivery Team.

Nalcor is fully apprised of developments concerning the allegations against SNC, and they continue to demonstrate the highest ethical standards in its dealings with the project team. Nalcor has been advised by the new CEO and Senior Executives of SNC that the Lower Churchill

Project is not affected by the allegations. Nalcor continues to monitor the situation and will ensure that the Project proceeds unaffected by SNC's current challenges.

11. What is the status of the most recent drilling program on the North Spur?

- Will this report be made public and when is it expected?
- Was the drilling program budgeted as part of the Muskrat Falls Project and at what cost?

The north spur at Muskrat Falls has been investigated from a geotechnical perspective in previous field programs and has undergone multiple studies. The geotechnical conditions at the north spur are well understood.

The information gathered in those programs supported the design, installation and operation of a well point system that helped maintain the north spur's stability for the last 30 years and provided information that helped the development of a conceptual long-term solution. The conceptual design was used to inform Decision Gate 3, and costs related to stabilization work were included in Nalcor's Decision Gate 3 project estimate. The plan for geotechnical work on the north spur has been deemed to be reliable and cost effective. Stabilization of the north spur can be done both economically and reliably with the expansion of the existing pumpwell system, along with:

- o provision of downstream erosion protection and downstream stabilizing fill
- o local topcutting and unloading of portions of the high, steep side slopes
- o provision of erosion protection and a stabilizing upstream berm at the upstream slopes
- o protection of other areas of the reservoir rim from slope failures is not necessary.

In March 2013, a contract was awarded to AMEC Environment and Infrastructure for geotechnical field investigation services at the north spur, which includes sonic and conventional boreholes, in situ and laboratory testing, installation of instrumentation and surveys. This work is currently ongoing at site.

Stabilization work on the north spur at Muskrat Falls will be completed prior to impoundment, which will take place in the later years of construction of the Muskrat Falls hydroelectric generating facility. The request for proposals (RFP) for this work will be issued later this year, as indicated in the procurement section of the Muskrat Falls Project website.

12. Nalcor Energy Board Structure:

- Why does NL Hydro have the same board as Nalcor?

- Are there any plans to review the board structure/governance model and make changes?

Appointments to all Nalcor Energy Boards of Directors are made by the Government of Newfoundland and Labrador in accordance with the Energy Corporation Act and Hydro Corporation Act, respectively. Nalcor is not aware of plans at this time to make changes to the board structure. Corporate Governance information about Nalcor Energy's Board of Directors is can be found on pages 85 to 88 in our 2012 Business and Financial Report.

13. Holyrood:

- When will the repairs by NL Hydro at Holyrood be completed?
- At what cost?

During a severe winter storm on January 11, 2013, unit one at the Holyrood Thermal Generating Station shut down due to an electrical disturbance that originated in the high-voltage switchyard at the Holyrood terminal station. This disturbance was caused by an electrical fault resulting from the extremely high winds, heavy snow and salt contamination of equipment in the switchyard adjacent, and connected to, the generating station. During the winter, Newfoundland and Labrador Hydro (Hydro) undertook a comprehensive analysis with independent experts to investigate the damage, identify the necessary repairs and restore the unit to service. The detailed reports for this work have been filed with the Public Utilities Board.

Hydro anticipates completing reassembly of Unit One by late June. Once reassembled commissioning will commence. This process will take approximately one to two weeks. This capital project, including investigation and restoration work, is expected to cost approximately \$13.2 million. Hydro filed a capital plan with the Public Utilities Board.

14. NL Hydro's plans for a 3rd line from Bay D'Espoir

- What is the status of this line?
- When will construction begin?
- What is the current cost estimate?

Newfoundland and Labrador Hydro is currently examining this project in relation to future power requirements. Analysis is still ongoing and it is anticipated that a proposal will be completed in 2013.

15. Please provide a schedule showing the province's proposed contributions to the Muskrat Falls project annually over each of the next five years? What is the estimated total contribution from the province over the construction period?

The Government of Newfoundland and Labrador is committed to fund equity for all project expenditures that are not covered by debt under the Federal Loan Guarantee. Prior to financial close, all of the project expenditures will be funded by equity. As a result, a significant portion of the total equity requirement will be injected in the project prior to the end of 2013.

16. Is the Federal loan guarantee conditional upon Emera's agreement to participate in the Maritime Link? What will happen if the Nova Scotia Utilities and Review Board does not approve the application from Emera's subsidiary?

At Nalcor's AGM, Ed Martin addressed questions posed about the UARB and Emera's Maritime Link. Mr. Martin noted that Nalcor Energy and Emera are committed to the Maritime Link as outlined in the sanction agreement. This is a regional project and building the Maritime Link will bring tremendous value to the Atlantic region. There are no conditions precedent requiring UARB approval of the Maritime Link in the federal loan guarantee.

The UARB is an ongoing regulatory process in Nova Scotia and Nalcor won't speculate on the outcome of the UARB hearings. We will consider appropriate steps upon release of a decision.

17. On what basis does Nalcor believe it can achieve 824 MW of power from Muskrat Falls, in the absence of an agreement with Hydro Quebec, which controls the flow of water under the Churchill Falls Power Agreement, recognizing that the rights of Hydro Quebec are protected under the Electrical Power Control Act?

Nalcor Energy has completed extensive modelling of the Churchill River system, based on extensive hydrological records for the Churchill River and also the requirements of Churchill Falls' existing obligations.

Current legislation in Newfoundland and Labrador requires Nalcor Energy and Churchill Falls (Labrador) Corporation (Churchill Falls), the two power producers on the Churchill River, to use available storage, primarily in the Churchill Falls reservoir, and their respective generating facilities to optimize the production of power while maintaining the contractual obligations of Churchill Falls to its customers, including Hydro-Quebec. The terms of the agreement, which have already been established, require Muskrat Falls and Churchill Falls to operate as an integrated system.

Hydro-Quebec does not control the Churchill River nor do they have the right to determine the timing and capacity of electrical output at Churchill Falls. Hydro-Quebec has contracted rights for specific output from the Churchill Falls plant which varies slightly between winter and

summer seasons. How Churchill Falls meets its contractual obligations to Hydro-Quebec is at the discretion of Churchill Falls. The water management agreement, which was approved by the Board of Commissioners of Public Utilities (PUB) in March 2010, defines how Nalcor and Churchill Falls manage the flow of water on the upper and lower Churchill River to optimize and maximize output of the river. No agreement or consent by Hydro-Quebec is required to provide water management certainty for the lower Churchill developments.

18. What is SNC Lavalin charging for project engineering, management and procurement services on the Muskrat Falls project? How does their service fee compare with the project fees paid by Nalcor on other projects and with the project management rates paid by government for major transportation, hospital and public building construction?

SNC-Lavalin (SNC) was retained after completion of a public Expression of Interest (EOI) call and a Request for Proposal (RFP) process. SNC was awarded an Engineering, Procurement and Construction Management (EPCM) Services Contract and is a Consultant to Nalcor Energy for the Lower Churchill Project. SNC specializes in hydroelectric developments, transmission, High-Voltage direct current and civil works. SNC have the Engineering responsibility for Muskrat Falls, Labrador Transmission Assets and Labrador-Island Link with the exception of the Strait of Belle Isle marine cable crossing, which is a Nalcor responsibility using consultants and contractors who specialize in sub-sea cables, horizontal directional drilling and marine environments.

As noted at Nalcor's AGM, details of the agreement are commercially sensitive. Nalcor and SNC are working together as an integrated team on the Muskrat Falls Project. Nalcor retains full oversight, decision making and financial authority over all contract awards.

19. Is the service fee based on the concept of cost plus and does the rate increase or decrease with the size of the project? How much money has been earmarked for SNC Lavalin's project management fees?

At Nalcor's AGM, Ed Martin addressed questions regarding the contractual services between Nalcor Energy and SNC-Lavalin (its EPCM consultant). Mr. Martin noted that the detailed commercial and financing arrangements of the EPCM contract are commercially sensitive and could not be released. However, he noted that expenditures to date for the EPCM contract are over \$100 million. Nalcor publishes detailed monthly project reports outlining expenditures, employment, benefits and procurement information. These reports are posted on the Muskrat Falls Project website at www.muskratfalls.nalcorenergy.com. Included in these reports is

detailed monthly expenditures for the Muskrat Falls Project, including information on awarded contracts.

20. Will SNC Lavalin be used for the Maritime Link?

The choice of engineering consultant for Emera Inc.'s Maritime Link will be dependent upon the completion of their procurement process. Details on the Maritime Link are available at www.emeranl.com.

21. Please advise if Federal Loan Guarantee Conditions Precedent 3.5 A (i) and (ii) have been executed and provide the reports from the Credit Rating Agencies (i) confirming that the Credit Rating Agencies have supplied indicative credit ratings for each of MR, LTA, and LIL (prepared on a non-guaranteed basis) equal to or higher than investment grade and (ii) confirming that the Credit Rating Agencies have supplied indicative credit ratings for the ML (prepared on a non-guaranteed basis and based on information provided in the application to the UARB) equal to or higher than investment grade. Advise if these reports have been accepted by the Guarantor.

As noted by Ed Martin and Derrick Sturge at the AGM, this condition has been met to the satisfaction of Canada; however, due to the confidentiality requirements of the credit rating agencies relating to indicative ratings, these reports cannot be disclosed.

22. Please report on the status of each of FLG Conditions Precedent 3.5 A (iii) to (x), inclusive.

Nalcor is working with Emera Inc., the governments of Newfoundland and Labrador and Nova Scotia, and the Government of Canada to satisfy the Conditions Precedent in advance of financial close anticipated later in 2013.

23. Have the FLG Agreements and all other relevant documents necessary to affect Financial Close been executed pursuant to 3.5 B (i), in form and substance acceptable to the Guarantor? If not, when are they expected to be executed?

Significant progress has been made on these requirements and these will be fully satisfied with financial close anticipated later in 2013.

24. Please provide a copy of the reports of Credit Rating Agencies of indicative credit ratings for the ML (prepared on a non-guaranteed basis in accordance with 3.5 B(ii)) confirming ratings equal to or higher than investment grade in the event that the UARB decision differs from the application submitted by MLCo. If this report has not been completed, when will it be available?

Emera Inc. is responsible for obtaining the Maritime Link indicative rating and it would be subject to similar confidentiality provisions as noted in Question 7 above.

25. Please advise if the Guarantor has expressed satisfaction, in response to FLG 3.5 B (iii) proof any and all Project-related due diligence deemed necessary by the Guarantor, including satisfactory review of all required revenue-producing agreements and other agreements including the MF PPA, TFA, LIL Assets Agreement?.

Due diligence activities by the Government of Canada are ongoing and will likely continue through to the financial close date.

26. Please advise if the Guarantor has approved the Financing, Financing Structure, Financing Documents, and the Transaction Structure, pursuant to FLF 3.5 B (iv). If not, when is such approval likely to be forthcoming?

Significant progress has been made on these requirements. As an example, Nalcor has commenced the request for financing process and is inviting proposals for the purpose of raising debt financing for the project. Funding will be provided to Nalcor's subsidiaries responsible for the Muskrat Falls Project.

This condition precedent will be fully satisfied at financial close anticipated later in 2013.

27. Please provide a copy of the report submitted by an independent expert to confirm that the Projects have sufficient insurance coverage in place that is customary in projects of this nature and size.

As noted by Ed Martin and Derrick Sturge at the AGM, an independent insurance consultant will conduct a review on behalf of the guarantor to ensure that sufficient insurance coverage is in

place that is customary in projects of this nature and size. The independent insurance consultant will report back to the guarantor on this matter.

28. What insurance coverage is planned for the Projects?

As noted by Ed Martin and Derrick Sturge at the AGM, Nalcor has engaged an insurance broker to help the company place an appropriate insurance package for the project. Additionally, an independent insurance consultant will conduct a review on behalf of the guarantor to ensure that sufficient insurance coverage is in place. This is standard practice in large financing projects of this nature.

29. Please provide a copy of all reports submitted by the Independent Engineer including revised capital cost estimates, reviews of the revenue requirements and their recovery through rates, reviews of technical aspects of the project, including engineering, stabilization of the North Spur, and a technical due diligence report confirming that the Project execution plans are commercially reasonable and consistent with Good Utility Practice, required by FLG 3.5 B (ix).

These reports are commercially sensitive as a requirement of Nalcor's arrangements for the Federal Loan Guarantee.

30. Report on the status of each of FLG 3.5 (vi), (vii), (viii) and (x).

Progress has been made on these requirements. This condition precedent will be fully satisfied at financial close anticipated later in 2013.