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Government of Newfoundland and Labrador
Government of Nova Scotia
Nalcor Energy
Emera Inc.

July 31, 2012

Formal Agreements Signed Between Nalcor Energy and Emera Inc. for Muskrat Falls Development

The Muskrat Falls development reached a significant milestone today, as the Government of Newfoundland and Labrador announced that formal agreements have been reached between Nalcor Energy and Emera Inc. for the development and transmission of hydroelectric power from Muskrat Falls.

The agreements were signed in St. John's today by the Honourable Jerome Kennedy, Minister of Natural Resources; the Honourable Charlie Parker, Nova Scotia Minister of Energy; Ed Martin, President and CEO of Nalcor Energy; and, Chris Huskilson, President and CEO, Emera Inc.

"Today's signing represents a major step forward for Newfoundland and Labrador, and is another important milestone as we move closer towards a decision on sanctioning of the project," said the Honourable Jerome Kennedy, Minister of Natural Resources.

"Muskrat Falls will deliver least-cost renewable power and stabilize rates, support economic development, and provide power to mining companies in Labrador. It will also provide long-term revenue through the export of electricity and reduce dependence on fossil fuels, along with economic and employment benefits for the province, the region, and the rest of the country.

"The Maritime Link will allow us to access the Maritime and New England markets and thereby gaining a fair and competitive price for our clean, renewable power. It will also facilitate the development of our province's energy warehouse. Today's agreements guarantee the successful responsible development of our province's hydroelectric resources in a manner that provides maximum benefit to the people of Newfoundland and Labrador."

"By developing Lower Churchill and connecting it to wider markets, we are creating good jobs, growing the Atlantic economy and ensuring a cleaner energy future for ourselves, our children and grandchildren," said Nova Scotia Minister of Energy Charlie Parker. "This development is an important component in ensuring Nova Scotia meets federal coal reduction regulations, as well as our province's greenhouse gas emission targets. Perhaps most importantly though, it will help stabilize electricity rates for Nova

Scotians and their families. This is indeed a game-changing opportunity for the Atlantic region, and part of the approach that makes Canada an energy superpower.”

Nalcor and Emera have formalized 13 agreements spanning 50 years related to the development of Muskrat Falls, the Labrador-Island Transmission Link, and the Maritime Link.

The purpose of the agreements, which reflect the Term Sheet, is to formalize the transactions agreed to by the parties. Six of the agreements reflect the commitment by Emera to develop the Maritime Link connecting Newfoundland and Labrador and Nova Scotia, and to provide transmission rights in Nova Scotia. Four agreements relate to transmission rights for Nalcor in the Maritimes and New England as a result of Emera’s investment in the Labrador-Island Link, which will span from Muskrat Falls, across the Strait of Belle Isle, to Soldiers Pond on the Avalon Peninsula. Three related agreements were also completed.

“The agreements signed today reflect the strong partnership between Nalcor and Emera, and the commitment by both companies to ensure a quality result for everyone involved,” said Ed Martin, President and CEO of Nalcor Energy. “We took the time necessary to get it right, and I’m proud to say that today we have 13 comprehensive, sound agreements that will stand the test of time.”

“Emera is fully engaged in helping transform Atlantic Canada into an energy powerhouse with an electricity system that is more robust, flexible and better connected,” stated Chris Huskilson, President and CEO, Emera Inc. “Today’s announcement sets the stage for the development of a new source and route for clean, renewable and reliable energy that will help stabilize energy costs, improve the environment and provide economic benefits for the entire region.”

Additional information about the formal agreements signed between Nalcor and Emera are available in the backgrounder. Media will be notified once the final agreements are posted online.

Minister Parker with Minister Kennedy, Mr. Huskilson and Mr. Martin will hold a news conference, signing ceremony and host media availability at 2:00 p.m. at the Holiday Inn in Sydney, Nova Scotia on Tuesday, July 31, 2012.

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BACKGROUNDER
Phase One – Lower Churchill Project
Formal Agreements Between Nalcor Energy and Emera Inc.

- In November 2010, Nalcor Energy announced its decision to proceed with Phase One of the Lower Churchill Project - Muskrat Falls, Labrador-Island Transmission Link and the Maritime Transmission Link 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 which were signed on July 31, 2012.
- 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 formal agreements, which reflect the core principles of the Term Sheet, formalize the transactions agreed to by the parties.

Overview of Formal Agreements

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

- The NS Block is delivered in exchange for Emera developing, owning and operating the Maritime Link and providing Nalcor with transmission rights on the Maritime Link and through Nova Scotia.
- The arrangement is premised on a 50 year service life for the Maritime Link.
 - In exchange for a term shorter than the service life, Emera shall receive Supplemental Energy in the first five years.
- In exchange Emera's investment in the Labrador-Island Link, 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 Labrador-Island Link.
 - Nalcor provides Emera with the investment opportunity in the Labrador-Island Link.
 - Emera entitled to 49 per cent ownership of the Lower Churchill Project transmission assets on following principles:
 - Labrador Transmission Assets (LTA), 100 per cent Nalcor-owned;
 - Maritime Link, 100 per cent Emera-owned; and
 - Labrador-Island Link, at a percentage based on the estimated capital costs of each transmission asset at sanction of the Labrador-Island Link, adjusted when actual costs are finally determined.
 - Emera provides New Brunswick and New England transmission rights.
 - In New Brunswick, using Bayside rights until their expiry, replaced with equivalent rights or development of new transmission.
 - In New England, through use of the Maine Electric Power Company Inc. (MEPCO) rights.

Formal Agreements

1. Maritime Link Joint Development Agreement

- Establishes the Joint Development Committee and governance structure for the Maritime Link 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 Maritime Link and project implementation.
- Details the terms for development of the Maritime Link and sharing of cost overruns.

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 and related assignment provisions for 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 Maritime Link for export/import purposes.

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.

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 Maritime Link to Nalcor after 35 years following First Commercial Power under the Energy and Capacity Agreement.

7. Newfoundland and Labrador Development Agreement

- Establishes the Joint Development Committee for the non-Maritime Link assets.
- Provides the mechanics related to the funding of the Labrador-Island Link.
- 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 it is managed.
- Provides the mechanics for distributions to the partners after first commercial power.

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 New Brunswick 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).

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.

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 Maritime Link Expansion and a possible Maritime Link Redevelopment.

13. Inter-Provincial Agreement

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