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

### **Lower Churchill Project to Become a Reality; Province Signs Partnership Agreement with Emera Inc. for Development of Muskrat Falls**

Signaling the commencement of the long-awaited Lower Churchill River hydroelectric development, the Government of Newfoundland and Labrador today announced a partnership between Nalcor Energy and Emera Inc. This arrangement complements the partnership already in place between Nalcor and the Innu Nation. The Nalcor/Emera deal will result in the development of Muskrat Falls, with power being transmitted from Labrador across the Strait of Belle Isle for use on the island of Newfoundland. Power will be available for recall use for industrial development in Labrador. Nalcor will then transmit surplus power from the island to Nova Scotia Power, a subsidiary of Emera, across the Cabot Strait into Lingay, Nova Scotia.

The announcement was made in St. John's today by the Honourable Danny Williams, Premier of Newfoundland and Labrador, the Honourable Darrell Dexter, Premier of Nova Scotia, the Honourable Kathy Dunderdale, Minister of Natural Resources, Ed Martin, President and CEO of Nalcor Energy, Chris Huskison, Chair and CEO, Emera Inc., Joseph Riche, Grand Chief of the Innu Nation and Sebastian Benuen, Chief, Sheshatshiu Innu First Nation.

"This is a day of great historic significance to Newfoundland and Labrador as we move forward with development of the Lower Churchill project, on our own terms and free of the geographic stranglehold of Quebec which has for too long determined the fate of the most attractive clean energy project in North America," said Premier Williams. "The benefits of this project for our province will be enormous including thousands of jobs and billions of dollars of economic activity. From day one, our government has taken a long-term, strategic approach to developing this project. Our priorities have remained steadfast; that is to achieve maximum benefits for our people, and to secure stable rates and markets with a good return for the people of this province. This agreement achieves these goals and also solidifies a mutually beneficial partnership with Emera Inc. and the province of Nova Scotia. Today marks the beginning of a new era of Atlantic Canadian cooperation and together we are telling the marketplace both in Canada and the United States that badly needed competition in the hydroelectric marketplace is on the way."

The Lower Churchill River system is comprised of Muskrat Falls with 824 megawatts of power and Gull Island with 2250 megawatts. Phase two of the

project will be the development of Gull Island for which construction is expected to start several years after Muskrat Falls.

"This is a historic day for Nova Scotia, and all of Atlantic Canada," said Premier Darrell Dexter. "Through this partnership, Nova Scotia is taking a major step forward as an international leader in renewable energy. Today's agreement will create thousands of new jobs; it will stabilize energy prices for Nova Scotia families and businesses well into the future; and it lifts the idea of Atlantic cooperation off the page and turns it into fundamental action, building a more prosperous nation."

"This configuration is the most economic and reliable option to meet Newfoundland and Labrador's needs over the coming years and opens the doors for the province to begin reaping the export benefits of our wealth of clean, renewable resources," said Ed Martin, President and CEO, Nalcor Energy. "This strategic partnership with Emera creates significant opportunity today and well into the future as it will assist in building stronger interconnections among the four Atlantic Provinces and the northeastern U.S. enabling all to benefit from the wealth of environmentally friendly, affordable and sustainable power Newfoundland and Labrador and the rest of the region has to offer.

"This is a historic agreement for our region and potentially transformational for our company," said Mr. Huskison. "It results in a stronger regional system that is consistent with Emera and Nova Scotia Power's focus on cleaner, affordable electricity."

"Our Energy Plan clearly stated our intention to provide the people of Newfoundland and Labrador with a clean, reliable source of power which ensured the long-term stability of power rates," said Minister Dunderdale. "By concluding this agreement we have accomplished these goals along with putting us into the energy marketplaces of Atlantic Canada and New England. Most importantly, the people of Newfoundland and Labrador will see a maximum return on this resource and will have priority as owners of the resource to partake in the development of a world-scale mega-project."

Newfoundland and Labrador Hydro, a subsidiary of Nalcor Energy, is mandated to forecast electricity requirements in the province and bring forward the least cost, long-term option for meeting these requirements. As a result of growing provincial demand for electricity, Hydro evaluated alternatives to develop new generation sources. Hydro assessed alternatives and found the Muskrat Falls project with a transmission link to the Island to be the least cost alternative. The Muskrat Falls option is also more environmentally acceptable than maintaining an "isolated" island power system, which would retain Holyrood in operation as a major source of greenhouse gas emissions. Once the Muskrat Falls development is operational, the energy price structure in the province will be

stable and lower cost for consumers over the long-term and the province will avoid the volatility associated with the price of oil.

Highlights of the agreement:

- 8600 person years of work on the project within the province between 2011 and 2017, with 5400 of these person years occurring in Labrador. Adding the indirect and induced economic impact, there will be 18,400 person years of work in the province, and 47,800 person years in the whole country; with peak employment of approximately 2700 people];
- surplus capacity from Muskrat Falls can be recalled as needed for industrial development in Labrador;
- The generating station at Muskrat Falls will be 100% owned and operated by Nalcor Energy;
- Total transmission systems (the Labrador Transmission line, the Labrador-Island Link and the Maritime Link) will be majority owned by Nalcor Energy (51 per cent) and minority owned by Emera Inc. (49 per cent); this ownership structure will be assigned to assets as follows: [Nalcor will hold 100% of the Labrador transmission and 71 per cent of the Labrador-Island Link, while Emera will hold 29% of the Labrador-Island Link and 100% of the Maritime Link)];
- At the termination of the delivery of the Nova Scotia Block, ownership of the Maritime Link will revert back to Nalcor Energy for \$1;
- Nalcor Energy has the option to acquire full ownership of the Labrador-Island link at any time and in any event it will revert back to Nalcor Energy in 50 years;
- All engineering for the generation and the Labrador-Island link will done in the province;
- First consideration for jobs in Labrador will go to the Labrador Innu as outlined in the New Dawn Agreement, then to Labrador residents, and then to residents of our province generally.
- Of the total 4.9 terawatt hours per year of power to be produced, initially 2.0 terawatts will be allocated to the island to meet domestic demand and to displace expensive, dirty bunker "C" oil used in Holyrood;
- Approximately 1.0 terawatt hours per year, or 20% of the output of Muskrat Falls, will be provided to Emera Inc. for use in Nova Scotia. In exchange, Emera will invest over \$1.2 billion, or 20% of the overall capital cost of the entire project, and will be responsible for 20% of the operating costs of the entire project for the 35 year life of the contract. As an additional investment, but not associated with a power sale, Emera will invest approximately \$600 million towards the Labrador-Island Link in exchange for transmission rights for Nalcor Energy in Nova Scotia, New Brunswick and New England.
- The remaining power will be sold into the Maritime Provinces and the New England market place. Nalcor Energy will be able sell power in these jurisdictions as a result of gaining existing transmission rights from Emera Inc. The total cost of the project will be approximately \$6.2 billion;

- With Muskrat Falls, the Newfoundland and Labrador electricity system will be run on 98 per cent renewable, emission-free energy.
- Emera Inc. will receive regulated rates of return on its investments in the Maritime Link and other transmission assets.

Today's announcement is a historic milestone in the development of the lower Churchill resource. Milestones that remain before the project is sanctioned for construction include: the release of the generation and transmission projects and the transmission project from environmental assessment processes; final ratification of the Lower Churchill IBA and Churchill Falls Redress Agreement; conversion of the Nalcor/Emera term sheet into formal legal agreements; finalization of financing; and completion of pre-front end engineering work.