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Historic Arrangement Sees Newfoundland and Labrador Wheel Upper Churchill Power Through Quebec to North American Markets

For the first time in the province's history, Newfoundland and Labrador is now wheeling hydroelectric power through neighbouring Quebec into the North American marketplace. The Honourable Danny Williams, Premier of Newfoundland and Labrador, today announced that the province's energy corporation, Nalcor Energy, through its subsidiary, Newfoundland and Labrador Hydro (Hydro) has signed an agreement to wheel power through Quebec to the Canadian – United States border.

"This is truly a historic and momentous occasion for the people of our province, as never before have we been granted access through the province of Quebec with our own power," said Premier Danny Williams. "Today marks another significant milestone for us as a people, as we continue on our path to self-reliance and long-term prosperity. This power sales arrangement puts us squarely in the game as a hydroelectricity producer and seller. We have clean, hydroelectric generation being sold from Newfoundland and Labrador and finding its way into the North American market place. Just as we have taken equity stakes in our offshore resources, we see tremendous potential for long term value in entering this business and will continue to assess this potential."

Hydro signed a Transmission Service Agreement with Hydro Quebec (HQ) under HQ's Open Access Transmission Tariff for power transmission from the Labrador to the Canada-U.S. border. Hydro is then selling power on the Canadian side of the border to Emera Energy Inc. Emera Energy began selling that power to the energy markets in Canada and the United States on April 1, 2009. This power is from the recall block that Newfoundland and Labrador has access to from the Upper Churchill project.

NL Hydro has had a power purchase agreement (PPA) with Hydro Quebec for a block of recall power from the Upper Churchill since 1998. The original contract was renewed for a three year term in 2001 and again in 2004 for a five year term. This renewal expired on March 31, 2009. Hydro has the right to recall 300 MW at the same price as HQ's current pricing under the 1969 Churchill Falls power contract. On average, NL Hydro uses approximately 170 MW of power for use in Labrador leaving approximately 130 MW available for export after domestic and industrial requirements in Labrador are met.

As with past recall arrangements only energy surplus to the province's own needs would be exported outside from the province. Hydro's priority will be to continue to meet local and domestic needs within Labrador. The company expects to be selling up to 250 MW of power which is the maximum available during the summer months.

“This is a significant development for us to share our excess green renewable energy with the rest of North America through our transmission access through Quebec and our subsequent arrangement directly with Emera Energy,” said the Honourable Kathy Dunderdale, Minister of Natural Resources. “These markets are seeking clean, reliable energy, which we have in abundance. The recall block availability and this arrangement allows us to build our reputation and experience as a reliable supplier of clean energy now and into the future.”

The most recent contract with Quebec Hydro expired on March 31, 2009. Having assessed all options, Nalcor Energy determined the most strategic and valuable decision moving forward is this arrangement as opposed to entering another power purchase agreement with Quebec at this time.

“The decisions around these transmission and power sales arrangements were made in alignment with our long term business strategy and opportunities,” said Ed Martin, CEO, Nalcor Energy. “Over the decades to come there will be tremendous opportunities in the Canadian and U.S. markets for clean, renewable power and we have a product that the market is demanding now and we foresee a growing demand into the future.

“The various options were subject to the usual rigour of any investment decision we make,” explained Mr. Martin. “The upside of this arrangement will provide more revenue to the company than the recall arrangements with HQ have in the past.”

Markets in the US Northeast are attractive for electricity exporters in Canada. These large markets are open, competitive and have a significant need for clean hydroelectricity.

“This is an exciting opportunity for both Nalcor and Emera Energy,” said Wayne O`Connor Chief Operating Officer of Emera Energy. “We are proud to play a part and look forward to working together to bring this valuable resource to markets across northeast North America.”

“What we are talking about today is our future, and the future of generations who will follow us,” said Premier Williams. “Our province’s first Energy Plan which we released a couple of years ago, set in place a plan to develop our resources with a view to 2041 when we finally take full control of the Upper Churchill project. Today’s announcement is one more step on that road. Our view is long term and we will not be swayed by short term thinking.”

Premier Williams added this is the first step on the road to the province selling power directly into North American markets. “At the present time, we are working with Emera Energy to have our power get to these markets,” said Premier Williams. “In other words, we have concluded a sale agreement with them so that with their considerable expertise in the industry, this power, originating from our province may be sold into markets. Obviously, this is something entirely new for us as a province and so we retained the best expertise possible in these early days. Our goal is to eventually develop the expertise at Nalcor so that we can act as seller into final markets. We understand from Emera that power from

Labrador today is being sold directly into the United States; destination – New York. Newfoundland and Labrador is taking a bite out of the big apple.”

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