

NALCOR ENERGY

– and –

EMERA INC.

TERM SHEET

November ^{18th}, 2010

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November 18, 2010 6:44 AM

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THIS TERM SHEET is entered into on November 18th, 2010 ("**Effective Date**").

The parties to this Term Sheet are the following:

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*, including its Affiliates (hereinafter referred to as "**Nalcor**")

- and -

EMERA INC., a company incorporated under the laws of the Province of Nova Scotia, including its Affiliates (hereinafter referred to as "**Emera**")

(hereinafter individually referred to as a "**Party**" and collectively referred to as the "**Parties**")

WHEREAS the Parties entered into a Memorandum of Understanding on March 30, 2010 to investigate options that would optimize the existing energy resources of both Parties, assist the Parties in addressing future power and energy requirements in their respective provinces and enable the Parties to develop renewable energy resources and explore potential market opportunities;

AND WHEREAS Emera has expressed an interest in obtaining renewable energy to reduce greenhouse gas emissions and to meet the existing and future renewable energy targets and load requirements in the Province of Nova Scotia ("**NS**") and New England ("**NE**");

AND WHEREAS Nalcor has expressed an interest in delivering power and energy from the Muskrat Falls Plant and in obtaining a transmission path into and through NS, and the Province of New Brunswick ("**NB**") and into NE;

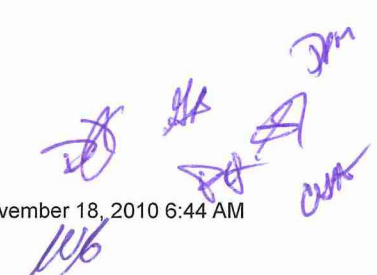
AND WHEREAS the Parties have concluded that in exchange for an investment in the Maritime Link and transmission in NS, Emera would receive twenty percent (20%) of the output of the Muskrat Falls Plant and further Nalcor requires Emera to provide transmission services in NB and NE and in exchange Emera will receive investment opportunities in NL regulated transmission assets;

AND WHEREAS the Parties have investigated the options and now wish to confirm their common understanding of the purpose, process and timing for the supply and delivery of power and energy from the Province of Newfoundland and Labrador ("**NL**") to NS, other Canadian provinces and NE and the associated transmission access;

AND WHEREAS Emera has expressed an interest in investing in transmission assets in NL both to facilitate the delivery of power and energy to NS and otherwise;

NOW THEREFORE the Parties agree as follows:

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1. DEFINITIONS

For the purpose of this Term Sheet:

- (a) **"Actual Capital Costs"** means, for each of the Defined Assets, or any of such assets as the context requires, the total Capital Costs incurred to design, engineer, construct and commission that asset, reduced by any funding received with respect to the P3 Canada Fund and any other federal funding as contemplated in this Term Sheet;
- (b) **"Additional Investment"** means the amount paid by Emera to acquire an additional investment in the Labrador-Island Link calculated pursuant to Appendix "D";
- (c) **"Additional Investment Asset"** means an undivided ownership interest of Emera in the Labrador-Island Link as described in Appendix "D";
- (d) **"AFUDC"** means Allowance for Funds Used During Construction, being a noncash item representing the estimated composite interest costs of debt and return on equity funds used to finance construction, which allowance is capitalized in the property accounts and included in income, as that term is applied by the UARB and the Board of Commissioners of Public Utilities;
- (e) **"Affiliate"** means any Person that directly or indirectly, through one or more intermediaries, Controls, or is Controlled by, or is under common Control, with a Party;
- (f) **"Bayside Transmission Rights"** means up to 260 MW firm Transmission Rights from April to October, owned by Emera, from Emera's Bayside generating plant in NB to the NB-Maine border, including any renewal rights and subsequent extensions. A summary of the Bayside Transmission Rights is included in Appendix "A";
- (g) **"Board of Commissioners of Public Utilities"** means the corporation established by NL pursuant to the *Public Utilities Act*;
- (h) **"Capital Costs"** means all costs incurred to design, engineer, construct and commission the Defined Assets or any of such assets as the context requires, but excluding Financing Costs;
- (i) **"Control"** and similar terms means, in the context of a relationship between two (2) or more Persons, control in any manner that results in control in fact, whether through direct or indirect ownership or control of voting shares, interests or trusts, representation on the board of directors or other governing body, or otherwise;
- (j) **"Defined Assets"** means the Muskrat Falls Plant, the Labrador-Island Link, the Labrador Transmission Assets, and the Maritime Link;
- (k) **"Delivery Point"** means the point in Cape Breton, NS at the termination of the Maritime Link. The exact location in Cape Breton, NS of the Delivery Point will be determined by the Parties in the Formal Agreements;

- (l) **"Estimated Capital Costs"** means the estimated Capital Costs of each of the Defined Assets, or any of such assets as the context requires, as determined by Nalcor, as of the dates specified in this Term Sheet;
- (m) **"Financing Costs"** means all costs incurred by the Parties with respect to debt or equity financing of the Actual Capital Costs;
- (n) **"First Commercial Power"** means the date following the completion of commissioning of the Maritime Link upon which Nalcor commences delivery of the Nova Scotia Block to Emera at the Delivery Point in accordance with Article 7;
- (o) **"Formal Agreements"** means the agreements resulting from transactions and matters described in Article 27;
- (p) **"GHG Credits"** means greenhouse gas credits or allowances, including all attributes associated with renewable energy, associated with the displacement of generation from greenhouse gas emitting facilities in NS resulting from the capacity and energy produced by the Muskrat Falls Plant or any other renewable energy source used to provide the Nova Scotia Block or any other energy and capacity provided to Emera pursuant to this Term Sheet;
- (q) **"Initial Service Life"** means:
 - (i) for each of the Transmission Assets, the initial part of the Service Life as designated at the commencement of the Initial Term; and
 - (ii) for the NB Transmission Line, the initial part of the Service Life as designated at the date following the completion of commissioning of the NB Transmission Line;

until the initial part of each Service Life has been designated, each Initial Service Life is estimated to be fifty (50) years;
- (r) **"Initial Term"** means the period of time commencing at First Commercial Power and ending on the thirty-fifth (35th) anniversary of First Commercial Power;
- (s) **"Island Interconnected System"** means the bulk transmission system on the Island portion of NL, owned and operated by Newfoundland and Labrador Hydro, but excluding any components included in the Labrador-Island Link or the Maritime Link;
- (t) **"ISO-New England Transmission Tariff"** means the regulated transmission tariff as amended, renewed or replaced, related to the MEPCO Transmission Rights;
- (u) **"Joint Development Agreement"** means a Formal Agreement created by the Parties in relation to the development of the Defined Assets or any of them, certain characteristics of which are set out at Appendix "C";

- (v) **"Joint Development Committee"** means any committee created by the Parties in relation to the development of the Defined Assets or any of them, certain characteristics of which are set out at Appendix "C";
- (w) **"Joint Operations Committee"** means any committee created by the Parties in relation to the operations of the Transmission Assets or any of them, certain characteristics of which are set out at Appendix "C";
- (x) **"Labrador-Island Link"** means a new HVdc transmission line and related components to be constructed by Nalcor from central Labrador to Soldier's Pond, NL;
- (y) **"Labrador-Island Link Operating and Maintenance Costs"** means all Operating and Maintenance Costs incurred with respect to the Labrador-Island Link;
- (z) **"Labrador Transmission Assets"** means the new transmission facilities to be constructed between the Muskrat Falls Plant and the generating plant located at Churchill Falls, NL;
- (aa) **"Maritime Link"** means a new 500MW HVdc transmission line and related components and includes:
 - (i) DC converter stations in Bottom Brook, NL and Cape Breton, NS;
 - (ii) two sub-sea cables connecting Cape Breton, NS and Cape Ray, NL;
 - (iii) a 230-kV transmission line from Granite Canal, NL to Bottom Brook, NL;
 - (iv) an HVdc transmission line from Bottom Brook, NL to Cape Ray, NL; and
 - (v) additional transmission infrastructure in NL to be further refined as the requirements to connect the Maritime Link to the Island Interconnected System are optimized;
- (bb) **"Maritime Link Expansion"** means activities, additions or upgrades that are designed to increase the capacity limits of the Maritime Link in excess of the transmission capacity of the Maritime Link as established at the date of Sanction of the Maritime Link;
- (cc) **"Maritime Link Redevelopment"** means one or more programs of activities undertaken to replace major components, resulting in a restarted Service Life of the Maritime Link and for greater clarity, excludes normal maintenance activities or activities related to sustaining capital reinvestment to ensure full operation of the Maritime Link during its Service Life;
- (dd) **"MEPCO Transmission Rights"** means the 300 MW Transmission Rights held by Emera, including any renewal rights and subsequent extensions in respect of transmission assets operated by the Maine Electrical Power Company Inc. A summary of the MEPCO Transmission Rights is included in Appendix "B";

- (ee) **"Muskrat Falls Plant"** means a hydro-electric generation plant on the Churchill River in the vicinity of Muskrat Falls, Labrador to be constructed by Nalcor with annual energy production expected to average 4.9 TWh having a capacity of 824 MW, as to be confirmed by the methodology described in Appendix "H";
- (ff) **"NB Transmission Line"** means a proposed new 345-kV transmission line to be constructed by Emera and another party from the NS-NB border to the NB-Maine border;
- (gg) **"NB Transmission Rights"** means the right of Nalcor to transmit power and energy from the NS-NB border to the NB-Maine border pursuant to Article 13 either through:
 - (i) the NB Transmission Line; or
 - (ii) use of the Bayside Transmission Rights or equivalent rights;
- (hh) **"NBSO"** means the New Brunswick System Operator;
- (ii) **"NBSO Transmission Tariff"** means the regulated NBSO open access transmission tariff, as amended, renewed or replaced;
- (jj) **"Nova Scotia Block"** means the energy entitlement of Emera from the Muskrat Falls Plant:
 - (i) in the Initial Term, to be taken on a calendar year basis (and pro-rated during the first and last calendar years if necessary to reflect the date on which First Commercial Power occurs), currently calculated as (A) 0.98 TWh of energy plus a supplemental amount of energy to be determined by Nalcor that will apply to the first five (5) years of the Initial Term as described in Appendix "G", less (B) Transmission Losses to the Delivery Point; and
 - (ii) in respect of any Subsequent Term(s) or Renewal Term, such amount as may be agreed by the Parties;
- (kk) **"NS Transmission Rights"** means Transmission Rights from the Delivery Point to the NS-NB border;
- (ll) **"NSPI Transmission Tariff"** means the regulated Nova Scotia Power Inc. open access transmission tariff, as amended, renewed or replaced;
- (mm) **"Operating and Maintenance Costs"** means all costs attributable to the Defined Assets that are reasonable in relation to the circumstances in which they were incurred in accordance with good utility practice, including operation and maintenance costs, administration costs, sustaining capital costs and major capital costs not considered to be attributable to a life extension, and all other costs incurred to operate and maintain the Defined Assets or any of them individually as the context requires;

- (nn) **"P3 Canada Fund"** means the infrastructure fund operated by PPP Canada, a federal Crown corporation;
- (oo) **"Person"** means, without limitation, any individual or group and any firm, corporation, company, association, partnership, joint venture, trust, unincorporated organization, state, province or political subdivision thereof or any legal entity;
- (pp) **"Previously Incurred Costs"** means with respect to:
 - (i) the Maritime Link, Capital Costs incurred by Nalcor up to the Effective Date, including accrued interest at a rate equal to the prevailing pre-tax weighted average cost of capital for Nova Scotia Power Inc. until paid by Emera; and
 - (ii) the Labrador-Island Link, Capital Costs incurred by Nalcor up to the date of Sanction of the Labrador-Island Link by Nalcor, including accrued interest at a rate equal to the prevailing weighted average cost of capital for Newfoundland and Labrador Hydro.
- (qq) **"Renewable Electricity Standard" or "RES"** means the Nova Scotia Renewable Electricity Standard Regulations or any successor regulations that establish renewable energy requirements for NS;
- (rr) **"Renewal Term"** means a mutually agreed renewal term resulting from the negotiations referred to in Article 9;
- (ss) **"Sanction"** means one or more events occurring on a date after the Effective Date, when final approval by a Party is provided to proceed to the commencement of construction of each of the Defined Assets;
- (tt) **"Service Life"** means the period of time immediately following commissioning during which each of the Transmission Assets, the NB Transmission Line and any other assets contemplated herein can continue to transmit energy and capacity at required reliability levels, and for greater clarity, a new Service Life will be established upon any redevelopment of an asset;
- (uu) **"Subsequent Term"** means a term commencing on the termination of the Initial Term (or on the termination of an immediately preceding Subsequent Term as the case may be) for an agreed upon period or periods of time not to exceed in aggregate the then remaining Service Life of the Maritime Link;
- (vv) **"System Impact Studies"** means the series of studies necessary to confirm the reliable operation of the regional bulk electricity systems upon the interconnection of the NL and NS electricity systems;
- (ww) **"Tax" or "Taxes"** means any tax, fee, levy, rental, duty, charge, royalty or similar charge including, for greater certainty, any federal, state, provincial, municipal, local, aboriginal, foreign or any other assessment, governmental charge, imposition or tariff wherever imposed, assessed or collected, and whether based on or measured by gross receipts, income, profits, sales, use and occupation or

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otherwise, and including, without limitation, any income tax, capital gains tax, capital tax, goods and services tax, harmonized sales tax, value added tax, sales tax, withholding tax, property tax, ad valorem tax, transfer tax, franchise tax, payroll tax or excise tax, together with all interest, penalties, fines or additions imposed, assessed or collected with respect to any such amounts;

- (xx) **"Termination Date"** means the date on which this Term Sheet expires as described in Article 19;
- (yy) **"Transmission Assets"** means the Labrador-Island Link, the Maritime Link and the Labrador Transmission Assets;
- (zz) **"Transmission Losses"** means the total of the energy losses on the Transmission System related to the transmission of energy from the Muskrat Falls Plant;
- (aaa) **"Transmission Rights"** means contractual rights to receive transmission service on specifically identified transmission infrastructure and transmission congestion rights;
- (bbb) **"Transmission System"** means the Labrador-Island Link, Maritime Link, Island Interconnected System and the Labrador Transmission Assets; and
- (ccc) **"UARB"** means the body established by NS pursuant to the *Nova Scotia Utility and Review Board Act*.

2. PRINCIPLES OF INTERPRETATION

In this Term Sheet:

- (a) all dollar amounts are expressed in Canadian Dollars;
- (b) the word "including" and similar terms shall mean "including without limitation"; and
- (c) the Parties agree that whenever an action referred to in this Term Sheet is to be "approved", "decided" or "determined" by a Party, then each Party shall be free to take such action having regard to its own interests.

3. TRANSACTION FOR MARITIME LINK

- (a) Subject to the provisions of this Term Sheet, Emera agrees to pay the Actual Capital Costs of, fund and provide to Nalcor capacity in, the Maritime Link. In exchange, Emera is entitled to receive the Nova Scotia Block for a term of thirty-five (35) years from First Commercial Power.
- (b) If the Estimated Capital Costs of the Maritime Link at Sanction vary from twenty percent (20%) of the Estimated Capital Costs of the Defined Assets as established at Sanction of each of the Defined Assets, the Parties will consult

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and make such adjustments as the circumstances may require, in order to compensate the relevant Party appropriately.

- (c) From the Effective Date and until the Parties decide whether or not to Sanction the Maritime Link, each Party shall bear and be responsible for their own internal costs and Financing Costs, including applicable AFUDC, and equally share any third party costs in respect of the Maritime Link. The Parties will agree to reporting processes with respect to such payments.
- (d) The approval process for the Maritime Link shall be as follows:
 - (i) Emera will make application to the UARB for incorporation of the Maritime Link in the NS rate base upon Nalcor providing Emera with the Estimated Capital Costs of the Maritime Link, approved by Emera, in sufficient detail to permit such application in accordance with the rules and procedures of the UARB; and
 - (ii) Nalcor will assist Emera with this application. The Parties undertake to take all commercially reasonable actions to preserve the project schedule as set out in Appendix "F". The Parties agree that the target date for making the application to the UARB is June 1, 2011.
- (e) When the application is approved as filed, the Parties will proceed to consider Sanction of the Maritime Link as set out in subsections 3(f)(i), (ii) and section (g) below.
- (f) If the application is approved at an amount less than the Estimated Capital Costs and all other conditions are as filed, the Parties will nevertheless seek to accomplish the objective of delivering the Nova Scotia Block, and subsections 3(f)(i) and (ii) below shall apply. If the application is approved with conditions, whether or not such conditions are in addition to a lower Estimated Capital Cost than filed, the Parties will attempt to reach a mutually satisfactory resolution of such issues and such conditions shall be subject to section 28(a); and if a satisfactory resolution is achieved, subsections 3(f)(i) and (ii) below shall also apply:
 - (i) If Nalcor and Emera decide to Sanction the Maritime Link, Emera shall be responsible for and commence making progress payments equal to one hundred percent (100%) of costs attributable to the Maritime Link subsequent to its Sanction, subject to the conditions of this Term Sheet, the process for which, including reconciliation, shall be set out in the Formal Agreements. The Parties shall be responsible for the costs set out in accordance with section 3(f). Emera shall reimburse Nalcor for:
 - 1. one hundred percent (100%) of Previously Incurred Costs in respect of the Maritime Link; and
 - 2. one hundred percent (100%) of Nalcor's costs in respect of the Maritime Link, including internal costs, Financing Costs, including applicable AFUDC and costs paid to third parties subsequent to the Effective Date as described in section 3(c) above.

Emera will receive ownership of the Maritime Link proportionately as the progress payments are paid.

- (ii) Should Emera decide not to Sanction the Maritime Link, Emera may withdraw from the Maritime Link and at Nalcor's option, the Parties shall convert the Nova Scotia Block to a power purchase agreement or other acceptable regulatory arrangements at the levelized cost that corresponds to the capital costs that have been approved by the UARB and proceed with the Maritime Link. In that event:

1. Nalcor shall own and be responsible for the Capital Costs of constructing the Maritime Link;
2. Emera shall not be required to pay any further progress payments and Nalcor shall reimburse Emera for one hundred percent (100%) of Emera's costs in respect of the Maritime Link, including internal costs, Financing Costs, including applicable AFUDC and costs paid to third parties, subsequent to the Effective Date as described in section 3(c) above;
3. Emera shall maintain its ownership of the Additional Investment Asset, and Nalcor shall have the Transmission Rights described in Article 13 of this Term Sheet;
4. Nalcor shall deliver the Nova Scotia Block; and
5. Emera shall make available to Nalcor the NS Transmission Rights described in Article 12 of this Term Sheet.

- (g) If both Parties decide not to Sanction the Maritime Link, then each Party shall continue to bear the costs they paid in section 3(c) and Emera shall pay to Nalcor:

1. fifty percent (50%) of any third party costs plus interest incurred by Nalcor but unpaid by Emera in respect of the Maritime Link; and
2. fifty percent (50%) of non-cancellable third party costs committed but unpaid in respect of the Maritime Link;

in such case, Nalcor shall have the option whether to acquire the Additional Investment Asset from Emera, and if it does then all entitlements of Emera flowing therefrom shall be terminated. Any ownership rights held by Emera in the Additional Investment Asset, in whole or in part, shall revert to Nalcor and Nalcor shall refund all applicable contributions made by Emera in respect of the Additional Investment, including applicable AFUDC.

- (h) In addition to Emera's obligations set out in subsection 3(f)(i), where Nalcor and Emera decide to Sanction the Maritime Link and the total of the Actual Capital Costs of the Maritime Link and the related Financing Costs, including applicable AFUDC, incurred by the Parties (including any adjustment pursuant to section 3(b)) are greater than all costs approved by the UARB for inclusion into

the NS rate base, then the Parties shall apply to the UARB for authorization to overspend the work order, and if that application is partially approved, denied or not approved as filed, then the difference between such amounts will be apportioned as follows:

1. in the first instance, Emera shall be responsible for such difference in an amount up to a maximum of five percent (5%) of all costs approved by the UARB for inclusion into the NS rate base;
 2. in the second instance, Nalcor shall be responsible for any remaining difference in an amount up to a maximum amount of five percent (5%) of all costs approved by the UARB for inclusion into the NS rate base; and
 3. any remaining difference shall be shared equally between the Parties.
- (i) In making a Sanction decision with respect to the Maritime Link, each Party shall consider all relevant factors, including engineering, regulatory, environmental, financial and commercial considerations.

4. OWNERSHIP OF DEFINED ASSETS AND FINANCING

Ownership

- (a) Nalcor will construct, be responsible for one hundred percent (100%) of the costs associated with, and will have one hundred percent (100%) of, the ownership of Muskrat Falls Plant and the Labrador Transmission Assets.
- (b) Ownership of the Labrador-Island Link and Maritime Link are as set out in this Term Sheet.

Financing

- (c) Each Party will be individually responsible for obtaining its own financing and the Financing Costs related to its funding obligations in this Term Sheet. The Parties will agree on a financing schedule in the Formal Agreements to ensure the funding is made available by either Party to fund their obligations under this Term Sheet.
- (d) Should the Parties or either of them decide to employ project financing for their interest in the Defined Assets or any of them, they agree to cooperate with each other to facilitate the financing activities of the other Party, and to reflect such financing arrangements in the Formal Agreements.
- (e) Funding from the P3 Canada Fund and any other federal funding related to any of the Defined Assets shall be shared eighty percent (80%) by Nalcor and twenty percent (20%) by Emera. The Parties shall include in the Formal Agreements a process to accomplish this objective.

- (f) For any amount that will be included in a regulated rate base, applicable AFUDC will be applied to that amount as per the normal practice for regulated utilities in Canada.

5. DESIGN AND CONSTRUCTION

- (a) Nalcor will be responsible for managing and executing the engineering, design, construction and commissioning of the Defined Assets, other than the Maritime Link.
- (b) Regarding the engineering, design, construction and commissioning of the Maritime Link, the following will apply:
- (i) the Formal Agreements will provide for a Joint Development Agreement which shall establish a Joint Development Committee for the Maritime Link as described in Appendix "C", consisting of representatives from both Emera and Nalcor that will meet on a regular basis in order to receive, consider and if appropriate approve recommendations of the Maritime Link project team;
 - (ii) Emera will appoint the Maritime Link project manager. The Maritime Link project manager, in consultation with the project manager of the Defined Assets, will have responsibility for the design, engineering, construction and commissioning of the Maritime Link, and will prepare plans and budgets for approval to meet these objectives;
 - (iii) there will be a Maritime Link project team, to which each Party shall appoint an equal number of representatives, which will support the Maritime Link project manager in all aspects of the design, engineering, construction and commissioning of the Maritime Link;
 - (iv) Nalcor shall appoint the project manager for the Defined Assets. The Maritime Link project manager will report to the project manager for the Defined Assets, and will have expenditure approval authority up to a level commensurate with project managers for the Muskrat Falls and Labrador-Island Link projects;
 - (v) the Maritime Link project manager and project manager for the Defined Assets will focus their efforts on project excellence and execution, and the expectation is that they will find consensus. It is recognized that despite their best endeavours, there will be occasions on which consensus cannot be achieved and the matter will have to be referred to the Joint Development Committee for the Maritime Link;
 - (vi) The Joint Development Committee for the Maritime Link will attempt to reach a consensus on key decisions including the following:
 - A. changes in project scope and schedule,
 - B. change orders over a specified threshold,

- C. appointment and termination of the Maritime Link engineering, procurement and construction contractor or key management personnel on the Maritime Link project team, and
 - D. non-utility regulatory applications and decisions, including environmental assessment;
- (vii) In the rare circumstance where the Joint Development Committee for the Maritime Link cannot reach a consensus, these matters shall be referred to the CEO's of Emera and Nalcor to reach consensus;
- (viii) If the CEO's of the Parties are unable to reach a consensus decision, then the CEO of Nalcor will make the final decision. In the unlikely event the CEO of Nalcor is required to make such a final decision, such decision will be made using the following guidelines:
- A. The decision must be made to fulfill only the design criteria and scope of the Maritime Link project contemplated and outlined in this Term Sheet and as further detailed in the Joint Development Agreement,
 - B. The decision must reflect prudent front-end loading criteria normally practiced in the industry for activities prior to Sanction.
 - C. The decision must reflect prudent construction, installation, and operating criteria normally practiced in the industry,
 - D. The decision must conform with the standard of care normally practiced in the industry, and
 - E. The decision must conform with the guidelines required by any marine warranty surveyor appointed by insurers.
- Nalcor will be accountable for any cost overruns incurred resulting from any "tie-breaking" decision made by the Nalcor CEO which does not conform to the guidelines outlined in subsections 5(b)(viii)A. to E. above.
- (c) Each Party shall have full technical and financial audit rights in relation to Maritime Link matters.
- (d) Once both Parties have provided Sanction for the Maritime Link, they become committed to seeing the Maritime Link through to its completion.
- (e) The final configuration and design of the Defined Assets, other than the Maritime Link, will be determined by Nalcor prior to Sanction, considering factors such as the current state of technology, Capital Costs estimates and results of applicable engineering studies. The Parties shall jointly determine the configuration and design of the Maritime Link.
- (f) The Parties agree to work together to optimize the capability, sizing and capacity of the Transmission Assets.

- (g) Immediately following the execution of this Term Sheet, the Parties will work together to prepare a Joint Development Agreement in relation to the Maritime Link.

6. OPERATIONS AND MAINTENANCE

- (a) The Transmission Assets shall be operated and maintained in accordance with good utility practice, and in accordance with applicable plans, standards and practices including any applicable industry standards and operational requirements.
- (b) Operating and maintenance budgets shall be established for the Transmission Assets.
- (c) Where Emera owns the Maritime Link, Emera shall be responsible for the Operating and Maintenance Costs relating to the Maritime Link and, to the extent that such costs are unrecoverable in rates and are in excess of twenty percent (20%) of the Operating and Maintenance Costs of the Defined Assets, Nalcor shall be responsible for such excess amounts. To the extent that such costs are less than twenty percent (20%) of the Operating and Maintenance Costs of the Defined Assets, Emera shall pay Nalcor for such shortfall.
- (d) The Parties agree that:
- (i) Nalcor will integrate into the NS electrical systems to conform with all reliability and system control parameters;
 - (ii) they will make commercially reasonable efforts to optimize the operational integration of both the NL and NS electrical systems for the benefit of both Parties; and
 - (iii) both NL and NS system operators will make commercially reasonable efforts to optimize the profile of the Nova Scotia Block for the benefit of both Parties.

For greater certainty:

- (i) Nalcor will make reasonable efforts to accommodate requests by Emera to reduce daily deliveries;
 - (ii) Nalcor will at its discretion, which will not be unreasonably exercised, accommodate requests by Emera to increase daily deliveries above the contracted-for capacity; and
 - (iii) any settlement of energy as a result of changes to the daily deliveries will be settled between the Parties at a time when Nalcor can deliver the energy.
- (e) If an event occurs that results in curtailment of deliveries, each system operator will curtail scheduled firm point-to-point deliveries and scheduled native load deliveries on a proportionate basis. For greater certainty, any non-firm deliveries

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will be curtailed before curtailing firm or native load services. The NL or NS system operator may decide to curtail any deliveries in whole or in part when an emergency or other unforeseen condition impairs or degrades the reliability of the NL or NS system respectively.

- (f) The Parties will jointly develop an operating agreement and associated procedures to enable coordinated operation of the NL-NS interconnection.

7. POWER AND ENERGY SUPPLY

- (a) Subject to the provisions of sections 6(d) and (e), during the Initial Term, Nalcor shall deliver to Emera the Nova Scotia Block at the Delivery Point at a constant rate on a sixteen (16) hour basis, from 7:00 a.m. to 11:00 p.m. Atlantic Time.
- (b) Emera shall be responsible for its proportionate share of the Transmission Losses, which are currently expected to be 0.0784 TWh per year based on 0.98 TWh of annual production. The determination of the level of Transmission Losses will be based on a methodology to determine the actual transmission losses incurred in transmitting output from the Muskrat Falls Plant to the Delivery Point calculated by Nalcor in consultation with Emera prior to execution of the Formal Agreements.
- (c) The Nova Scotia Block shall be provided to Emera during the Initial Term and may continue to be provided to Emera during any Subsequent Term(s) and the Renewal Term pursuant to Articles 8 and 9.
- (d) If Emera requires additional long-term power and energy from Nalcor beyond the Nova Scotia Block to serve regulated customers in NS and Nalcor makes additional power and energy available to Emera, the Parties shall negotiate in good faith to reach commercial agreements on terms and price mutually acceptable to the Parties.
- (e) If Nalcor has an alternative market into which Nalcor desires to make a sale of short-term power or energy, which power or energy is available for delivery over the Maritime Link, and Emera has expressed to Nalcor a desire to receive such power or energy, then Nalcor may sell this power or energy to Emera on terms mutually agreeable to the Parties and at a price that reflects the conditions and prevailing market price available to Nalcor such that Nalcor is kept whole with respect to the financial return it would have received had it sold this power or energy into such alternative market.
- (f) The Nova Scotia Block is intended to enable Emera to satisfy the RES and/or legislation regarding greenhouse gas emissions. For the purposes of RES and greenhouse gas compliance, Emera will own the GHG Credits related to the Nova Scotia Block. Emera shall not sell these GHG Credits. Other than the GHG Credits associated with the Nova Scotia Block, all other credits associated with greenhouse gas emissions will be owned by Nalcor.

8. SUBSEQUENT TERM(S)

- (a) No later than five (5) years prior to the end of the Initial Term or as necessary during any Subsequent Term, studies shall be completed to assess the remaining Service Life of the Maritime Link.
- (b) Upon completion of those studies, Emera may commence negotiations with Nalcor with respect to continuing to receive the Nova Scotia Block for a Subsequent Term.
- (c) Emera shall notify Nalcor in writing whether it wishes to commence negotiations. Upon receipt of such notice, and if Nalcor does not require all of the Nova Scotia Block to meet current and future NL load requirements, then Nalcor will negotiate in good faith with Emera with respect to terms upon which Nalcor would continue to provide, and the price at which Emera will purchase, the Nova Scotia Block.
- (d) If the Parties are unable to arrive at mutually agreeable terms and price, Nalcor shall have the right as of the expiry of the Initial Term to sell the energy related to the Nova Scotia Block to third parties.

9. RENEWAL TERM

No later than eight (8) years prior to the end of the latest estimate of the Service Life of the Maritime Link, the Parties will commence negotiations with respect to terms on which the Parties might proceed with the Maritime Link Redevelopment.

10. MARITIME LINK, MARITIME LINK EXPANSION AND MARITIME LINK REDEVELOPMENT*Maritime Link*

- (a) Emera and Nalcor shall have Transmission Rights on the Maritime Link up to the transmission capacity limits of the Maritime Link, as follows:
 - (i) Emera's Transmission Rights on the Maritime Link will be:
 - A. used solely to deliver the Nova Scotia Block during the Initial Term, any Subsequent Term(s) and/or any Renewal Term; and
 - B. established from time to time at a level required to make such deliveries to the Delivery Point.
 - (ii) Nalcor will be provided with and have all Transmission Rights for the portion of the capacity of the Maritime Link that exceeds Emera's Transmission Rights.
 - (iii) Nalcor's Transmission Rights on the Maritime Link will be granted to Nalcor upon commissioning of the Maritime Link for one (\$1.00) dollar.
 - (iv) At the end of the Initial Term, any Subsequent Term(s) and/or Renewal Term, as applicable, Emera will transfer to Nalcor for one (\$1.00) dollar

any of Emera's Transmission Rights that are no longer required for the energy deliveries set out in subsection (a)(i)A above; and

- (v) Emera will be responsible for and hold Nalcor harmless in respect of all liabilities for any transmission tariff or other fee or charge related to all Transmission Rights on the Maritime Link. For greater clarity, other than payment of costs referred to section 6(c), Nalcor shall not be responsible for any charges, whether regulatory or otherwise, for contracted capacity on the Maritime Link.
- (b) The Parties will work together to facilitate all necessary environmental and other regulatory approvals with respect to the Maritime Link.
- (c) At the termination of the delivery of the Nova Scotia Block, Nalcor shall acquire ownership of the Maritime Link for one (\$1.00) dollar and thereafter Nalcor shall be responsible for all Operating and Maintenance Costs of the Maritime Link, and the Parties will allocate responsibility for other liabilities in relation to the Maritime Link as specified in the Formal Agreements.

Maritime Link Expansion

- (d) If the Parties decide a Maritime Link Expansion is necessary, the Parties will make good faith efforts to identify the optimal manner and ownership structure to construct a Maritime Link Expansion.
- (e) If either Party decides not to invest in a Maritime Link Expansion, the other Party has the right to proceed to complete such a Maritime Link Expansion on its own.
- (f) Regardless of ownership or ownership structure, Nalcor will have the right to acquire, on mutually acceptable commercial terms, any and all additional transmission capacity created as a result of a Maritime Link Expansion.

Maritime Link Redevelopment

- (g) If the Parties decide a Maritime Link Redevelopment is necessary, the Parties will make good faith efforts to identify the optimal manner and ownership structure to construct a Maritime Link Redevelopment.
- (h) Regardless of ownership or ownership structure, Nalcor will have the right to acquire, on mutually acceptable commercial terms, any and all transmission capacity created as a result of a Maritime Link Redevelopment.

11. LABRADOR-ISLAND LINK

- (a) Nalcor shall own all of the Transmission Rights in the Labrador-Island Link.
- (b) The Parties will work together to facilitate all necessary environmental and other regulatory approvals with respect to the Labrador-Island Link.

12. NOVA SCOTIA TRANSMISSION RIGHTS

- (a) Commencing at the beginning of and at all times during the Initial Term and any Subsequent Term(s) Nalcor shall have the NS Transmission Rights as described in Appendix "E".
- (b) The delivery of the Nova Scotia Block represents the entire consideration payable by Nalcor for Emera's investment in the Maritime Link and the provision to Nalcor of Transmission Rights over the Maritime Link, other than Nalcor's share of Operating and Maintenance Costs, if any, related to the Maritime Link as calculated pursuant to section 6(c). The Parties agree that no part of the Actual Capital Costs, including applicable AFUDC, of the Maritime Link shall be allocated to the NS transmission system and should any costs be so allocated, the Parties will provide for an appropriate compensation methodology in the Formal Agreements.
- (c) Nothing in this Term Sheet shall in any way limit Nalcor's ability to obtain Transmission Rights under the NSPI Transmission Tariff.

13. NEW BRUNSWICK AND MAINE TRANSMISSION RIGHTS*Bayside Transmission Rights*

- (a) Emera shall provide Nalcor with use of the Bayside Transmission Rights in order to transmit power and energy from the NS-NB border to the NB-Maine border for which Nalcor shall pay only the applicable NBSO Transmission Tariff charges for point to point transmission service, including any applicable ancillary services as provided for in the NBSO Transmission Tariff, and which shall only be paid by Nalcor during any period when the Bayside Transmission Rights are used by Nalcor. In order for Nalcor to utilize these rights, Nalcor may decide to require Emera to do any or all of the following in respect of the Bayside Transmission Rights:
 - (i) request the NBSO to redirect the point of receipt from the Bayside generating station to the NS-NB border;
 - (ii) exercise any available renewal rights; and
 - (iii) use commercially reasonable efforts to obtain equivalent rights after the expiration of the applicable term and any renewal periods and should Emera be successful, provide such rights to Nalcor.
- (b) During the term of the Bayside Transmission Rights, if Nalcor is unable to use the Bayside Transmission Rights to transmit up to 260 MW of power from the NS-NB border to the NB-NE border for any reason (other than normal short term curtailment by the system operator), including contractual or regulatory reasons or a failure to provide the NS Transmission Rights, then at Nalcor's option, Nalcor may decide to require Emera to either:
 - (i) purchase such energy and/or capacity at the Delivery Point at a price equal to the price of energy and/or capacity at the NB-Maine border less

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any amount that would have been payable by Nalcor for the applicable NBSO Transmission Tariff charges had the Bayside Transmission Rights been available for Nalcor's use and the applicable NSPI Transmission Tariff charges pursuant to Appendix "E" had the NS Transmission Rights been used by Nalcor to transmit the energy and/or capacity to the NS-NB border; or

- (ii) purchase at the NS-NB border and re-sell the energy and/or capacity to Nalcor at the same price at the NB-NE border, at no cost to Nalcor, other than Nalcor paying the applicable NBSO Transmission Tariff charges.

Non-Renewal of Bayside Transmission Rights (2021 – 2026)

- (c) If the Bayside Transmission Rights are not renewed for any reason, Emera will continue to provide Nalcor with transmission access on the same terms and conditions as would have been provided for had the Bayside Transmission Rights been renewed. For greater certainty, all the applicable obligations of Emera pursuant to sections 13(a) and 13(b) above shall continue to apply *mutatis mutandis*.

NB Transmission Line

- (d) If the NB Transmission Line is constructed, Emera shall, at Nalcor's request, provide up to 300 MW of firm Transmission Rights to Nalcor on the NB Transmission Line, which Emera is pursuing plans to construct. Nalcor may obtain such rights for the Service Life of the NB Transmission Line and any redevelopment thereof, either by making an investment in the NB Transmission Line or by acquiring Transmission Rights over such line from Emera for which Nalcor would pay a rate based upon cost-of-service principles, including a reasonable rate of return. If Nalcor decides to make an investment in the NB Transmission Line, Nalcor will have an option to sell its investment in the line back to Emera on reasonable notice at any time after seven (7) years from the date on which first energy is delivered over the line at the then current net book value. If Nalcor decides to acquire transmission services over the NB Transmission Line, after seven (7) years from the date when transmission service was first provided, Nalcor may adjust its required transmission capacity entitlement at three (3) year intervals.

Transmission Rights in NB – Post 2026

- (e) After the expiry of the Bayside Transmission Rights including any available renewals, at Nalcor's option, Nalcor shall have the use of any available Transmission Rights in NB through one of the following:
 - (i) through the provision by Emera of the equivalent rights referred to in subsection 13(a)(iii) above; or
 - (ii) if the NB Transmission Line is constructed and Nalcor decides to acquire and continues to hold Transmission Rights over the NB Transmission Line, then through the NB Transmission Line;

and if neither is available for Nalcor's use, Emera shall from the expiry of the Bayside Rights to the end of the period fifty (50) years after First Commercial Power, be obligated to purchase up to 260 MW of power and associated energy at a capacity factor of one hundred percent (100%) from April 1st to October 31st in each year from Nalcor at the Delivery Point, provided Nalcor can make such deliveries, at prices equivalent to the combined capital and operating costs, including an appropriate regulated rate of return, for a new combined cycle gas fired generation plant. For greater certainty, for purposes of this paragraph (e), the NB Transmission Line is considered to be available for Nalcor's use only if Nalcor has made the decision referred to in subsection 13(e)(ii) above, and then only during the periods for which Nalcor has decided to continue to hold the Transmission Rights referred to in subsection 13(e)(ii) above.

MEPCO Transmission Rights

- (f) Emera shall provide Nalcor with the MEPCO Transmission Rights for which Nalcor shall pay only the applicable ISO-New England Transmission Tariff charges applicable to the MEPCO Transmission Rights, including any applicable ancillary services as provided for in the ISO-New England Transmission Tariff, and which shall only be paid by Nalcor during any period when the MEPCO Transmission Rights are used by Nalcor. In order for Nalcor to utilize these rights, Nalcor may decide to require Emera to do any or all of the following in respect of the MEPCO Transmission Rights:
 - (i) exercise any available renewal rights; and
 - (ii) use commercially reasonable efforts to obtain equivalent rights after the expiration of the applicable term and any renewal periods and should Emera be successful, provide such rights to Nalcor.
- (g) Nalcor may decide to require Emera to assign to Nalcor any or all of its MEPCO Transmission Rights.
- (h) Nalcor will have the ability to use the MEPCO Transmission Rights for a period of fifty (50) years after the date of First Commercial Power.
- (i) During the fifty (50) year period referred to in section 13(h) above, Nalcor may decide at any time, and from time to time, to require Emera to purchase energy and/or capacity from Nalcor at the NB-Maine border at a price equal to the hourly price at an appropriate pricing node in NE for the point of delivery associated with the MEPCO Transmission Rights, net of any ISO-New England Transmission Tariff charges applicable to the MEPCO Transmission Rights.
- (j) Emera's obligations to compensate or purchase from Nalcor:
 - (i) under sections 13(b), 13(e) and 13(i), are subject to Nalcor demonstrating that it has available energy for delivery and a market for such energy; and
 - (ii) under sections 13(b) and 13(e), will only be determined and payable for any periods during which Emera is unable to provide Nalcor with use of the applicable Transmission Rights.

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14. JOINT DEVELOPMENT COMMITTEES; JOINT OPERATIONS COMMITTEE

The Formal Agreements shall provide for Joint Development Committees and a Joint Operations Committee as provided for in Appendix "C".

15. ADDITIONAL INVESTMENT OPPORTUNITY

Emera shall have the opportunity to acquire and hold the Additional Investment in accordance with Appendix "D", subject to section 3(g).

16. WORK TO BE COMPLETED

The Parties agree that commencing with execution of this Term Sheet, the Parties will pursue diligently all activities to complete the transactions contemplated hereby, including the following:

- (a) Finalize Formal Agreements;
- (b) Prepare and submit environmental registration documentation for the Maritime Link;
- (c) Complete design and engineering for the Transmission Assets;
- (d) Engage with the Government of NS and the UARB to identify a review and approval process;
- (e) Complete or cause to be completed any necessary transmission studies;
- (f) Complete or cause to be completed any System Impact Studies; and
- (g) Identify and resolve the regulatory issues with respect to implementation of this Term Sheet, including securing Transmission Rights for Nalcor and the inclusion of the Maritime Link in the NS rate base.

17. EXTERNAL COMMUNICATION

- (a) The Parties have entered into a Restricted Use and Non-Disclosure Agreement made as of January 11, 2008 ("NDA"). The Parties agree that all discussions and information exchanged between the Parties in connection with this Term Sheet shall constitute "confidential information" for the purposes of the NDA and shall be held in confidence in accordance with the terms of the NDA.
- (b) The Parties agree that all or part of this Term Sheet may be made public by either Party upon finalization. The Parties agree to coordinate any announcement regarding the Term Sheet to meet the disclosure obligations of the Parties.

18. ASSIGNMENT

- (a) This Term Sheet shall not be assigned by either Party.
- (b) The Formal Agreements shall provide:

- (i) restrictions with respect to assignment and change of Control of the Parties;
- (ii) that if any of the Nalcor assets or arrangements contemplated by this Term Sheet required to deliver the Nova Scotia Block become beneficially owned or beneficially Controlled by any Person other than Nalcor, Emera shall continue to receive the Nova Scotia Block in accordance with the Formal Agreements; and
- (iii) that if any of the Emera assets or arrangements contemplated by this Term Sheet become beneficially owned or beneficially Controlled by any government or government-Controlled electrical utility competitor of Nalcor, Nalcor shall have the option to acquire ownership of the Maritime Link, or the Additional Investment, or both.

19. TERMINATION OR EXTENSION

The Parties agree that the Termination Date for this Term Sheet will be the earlier of: (a) the date on which the Formal Agreements are executed; (b) November 30, 2011; and (c) the date as of which the Parties agree to terminate this Term Sheet. Either Party may terminate this Term Sheet upon breach by the other Party of a binding commitment herein. This Term Sheet may also be extended by mutual agreement.

20. EXCLUSIVITY

Notwithstanding any other provision of this Term Sheet and as a separate and independent covenant, which shall be binding upon the Parties from the date of execution of this Term Sheet until the termination hereof, the Parties agree, for valuable consideration:

- (a) during the term of this Term Sheet, neither Party will enter into commercial agreements, or make commitments of any other kind that would prevent either or both of the Parties from being able to execute the Formal Agreements contemplated in this Term Sheet or honour any of the commitments made in this Term Sheet; and
- (b) subject to subparagraph (a), this Term Sheet shall not in any way preclude either Party from pursuing and entering into commercial arrangements, or making commitments of any other kind, with third parties.

21. GOVERNING LAW

This Term Sheet shall be governed by and interpreted according to the laws of Newfoundland and Labrador, and all actions, suits, and proceedings arising shall be determined exclusively by a court of competent jurisdiction in the Province of Newfoundland and Labrador, subject to any right of appeal to the Supreme Court of Canada. Unless otherwise prohibited by operation of law, all Formal Agreements shall be governed by and interpreted according to the laws of, and be determined by a court of competent jurisdiction in, Newfoundland and Labrador subject to any right of appeal to the Supreme Court of Canada.

22. DISPUTE RESOLUTION

Each Formal Agreement shall provide for an appropriate dispute resolution process.

23. COSTS AND CERTAIN JOINT PROPERTY OWNERSHIP RIGHTS

- (a) Except as otherwise provided herein, each Party shall bear its own costs and expenses in connection with all matters relating to this Term Sheet, including the costs and expenses of its legal, tax, technical and other advisors.
- (b) Except as otherwise provided herein, each Party agrees to bear its own internal costs and expenses in connection with the activities and work outlined herein. The Parties may agree to jointly fund third party studies or initiatives, provided that the Parties mutually agree to a protocol for cost sharing and audit in advance of incurring any such jointly funded third party expense. Subject to the terms of this Term Sheet and the NDA, all right, title and interest in and to jointly funded studies or initiatives, including intellectual property and other assets that are jointly acquired and approved pursuant to this Term Sheet, shall be owned jointly by the Parties and may be used by each Party for such Party's own business purposes without any obligation to account to the other Party.
- (c) For greater certainty, nothing in this Term Sheet shall be deemed to affect a Party's existing right, title or interest in or to its intellectual property by virtue of its transfer or disclosure to the other Party.
- (d) Prior to the Parties engaging in any of the activities or work contemplated by this Term Sheet, the Parties shall agree on the treatment of any applicable intellectual property of each created as a result thereof.

24. TAXATION AND LEGISLATION

- (a) The Formal Agreements shall provide for tax planning opportunities that are acceptable to both Parties and will preserve the tax-exempt status of Nalcor.
- (b) The Parties agree to work constructively with the governments of Canada, NL, NS, NB, the United States of America, the State of Maine and any other relevant governments and each of their respective departments, agencies, boards and commissions, with respect to the legislative, regulatory, administrative and all other relevant aspects of the actions and activities contemplated by this Term Sheet.
- (c) Subject to section 24(a), in drafting the Formal Agreements, the Parties agree to work constructively to address, and allocate between the Parties, present and future Tax costs and risks, in accordance with reasonable commercial terms.

25. AUDIT RIGHTS

Each Formal Agreement shall provide for appropriate audit rights.

26. SURVIVAL

Sections 3(c) and 3(g) and Articles 17, 18, 21, 23 and 26 shall survive the termination of this Term Sheet and shall be legally binding upon and enforceable against the Parties hereto.

27. FORMAL AGREEMENTS

The Parties agree to negotiate in good faith to conclude Formal Agreements, which shall include agreements relating to the following matters, in each case as these matters are described in this Term Sheet:

- (a) the ownership and co-ownership interests of the Parties in the Transmission Assets and related governance matters;
- (b) operating and maintenance agreements, as applicable;
- (c) Joint Development Agreement;
- (d) the supply and delivery of power and energy to Emera and to provide Transmission Rights to Emera and Nalcor;
- (e) Transmission Rights of the Parties referred to herein; and
- (f) such other matters as are required to achieve the objectives as well as the terms and conditions of this Term Sheet.

The Formal Agreements will include customary and appropriate terms and conditions covering representations, warranties, covenants, terms, conditions, performance standards and other provisions for transactions of the nature contemplated by this Term Sheet. The Parties will make reasonable commercial efforts to finalize the Joint Development Agreement referred to in section 27(c) above on or before February 28, 2011.

28. CONDITIONS PRECEDENT

Execution of the Formal Agreements shall be subject to each of the following conditions precedent being satisfied, waived on agreement by the Parties, or transferred to the Formal Agreements as a condition precedent therein:

- (a) Any approvals that may be required from applicable regulatory bodies on terms satisfactory to the Parties;
- (b) Any required arrangements for Transmission Rights as outlined in this Term Sheet;
- (c) Approval by the NL Lieutenant-Governor in Council;
- (d) Approval by the boards of directors of Nalcor and Emera;
- (e) Sanction for each of the Defined Assets;

- (f) Any required changes to legislation or regulation to allow the Parties to effect the transactions contemplated by this Term Sheet;
- (g) Satisfactory results of any necessary transmission studies and System Impact Studies as contemplated by Article 16; and
- (h) Satisfactory completion of due diligence by the Parties with respect to all matters and transactions contemplated in the Term Sheet.

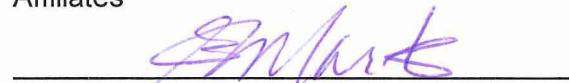
IN WITNESS WHEREOF each Party has executed this Term Sheet by its duly authorised representatives:

Executed and delivered by
Nalcor Energy, in the presence of:

NALCOR ENERGY, on its own behalf and
as duly authorized agent on behalf of its
Affiliates



Executed and delivered by
Emera Inc., in the presence of:

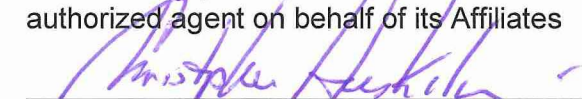


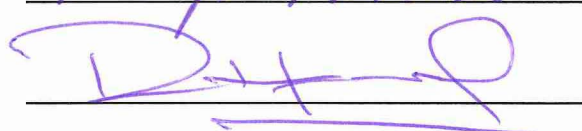




EMERA INC., on its own behalf and as duly
authorized agent on behalf of its Affiliates







Appendix "A"
Bayside Transmission Rights (Summary)

1. Description

Emera has access to firm Transmission Rights from its Bayside Generation Plant in New Brunswick to the NB-Maine border, connecting with the ISO-NE transmission system.

2. Capacity Levels by Month

<u>Month</u>	<u>Capacity (MW)</u>
April through October	Based on expected Bayside summer output, subject to a floor of 220 MW and ceiling of 260 MW

3. Term

The Bayside Transmission Rights expire on March 31, 2021.

4. Renewal Rights

At the end of the initial term of the Bayside Transmission Rights, Emera has renewal rights for an additional five (5) years to March 31, 2026. This renewal can be exercised by Emera with no other approvals or consents required.

5. Applicable Charges

Per NBSO OATT

6. Procedure for Redirection

Per NBSO OATT

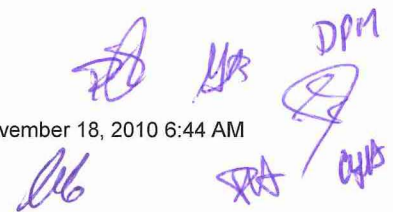
7. Conditions of the Service to be Provided

Per NBSO OATT

Appendix "B"
MEPCO Transmission Rights

MEPCO Grandfathered Transmission Service Agreement (MG TSA) holders have a form of Regional Transmission Service provided by ISO-NE and governed by the general provisions of the ISO tariff, with special scheduling and curtailment provisions that differentiate it from the Regional Network Service most ISO transmission customers receive. Such rights are set out in the ISO-NE Transmission, Markets and Services Tariff and confirmation of Bayside's MG TSA allotment is set out therein.

November 18, 2010 6:44 AM



Appendix "C"
Joint Development and Operations Committees

1. Joint Development Committee for the Defined Assets not including the Maritime Link

(a) Purpose

The Formal Agreements shall provide for a Joint Development Agreement which shall establish a Joint Development Committee consisting of representatives from both Nalcor and Emera that will meet on a regular basis in order to provide a common understanding of project progress and to discuss issues related to the design, engineering, construction, and commissioning of the Defined Assets not including the Maritime Link.

(b) Composition

- (i) Four (4) representatives of Nalcor;
- (ii) Two (2) representatives of Emera;
- (iii) Chair: one (1) of the four (4) Nalcor representatives chosen by Nalcor;
- (iv) Vice-Chair: one (1) of the two (2) Emera representatives chosen by Emera.

(c) Quorum

The Chair and the Vice-Chair or their delegates.

(d) Duration

The Joint Development Committee for the Defined Assets shall be established promptly following the Effective Date, and shall continue until one (1) year after First Commercial Power.

(e) Costs

Each party bears its own costs in matters relating to the Joint Development Committee for the Defined Assets not including the Maritime Link.

(f) Resolution of Issues

In the event that Nalcor representatives and Emera representatives have different views on matters before the Joint Development Committee for the Defined Assets not including the Maritime Link, the Nalcor representatives and the Emera representatives shall separately determine the positions of Nalcor and Emera respectively, and the position of Nalcor shall prevail.

2. Joint Development Committee for the Maritime Link

(a) Purpose

The Formal Agreements shall provide for a Joint Development Agreement which shall establish a Joint Development Committee for the Maritime Link consisting of representatives from both Nalcor and Emera that will meet on a regular basis in order to receive, consider and if appropriate approve recommendations of the Maritime Link project manager and the project manager for the Defined Assets with respect to the design, engineering, construction, and commissioning of the Maritime Link.

The fundamental object of the Maritime Link project team is to focus on project excellence and execution. The Parties recognize that the project team should work together as an integrated team. Best practices are critical to the decision making process. Decisions are to be made by the project team with the best interests of the project always in mind.

The expectation is that the Maritime Link project team will find consensus at the team level, recognizing that despite the best endeavours of the project team, there will be occasions on which consensus cannot be achieved and the matter will have to be referred to the Joint Development Committee.

The Joint Development Committee when considering consensus recommendations of the Maritime Link project manager and the project manager for the Defined Assets, and when considering differences of view between them, are expected to make their own assessment and form their own best judgment of the matter before them.

(b) Composition

Equal representation with at least two (2) representatives of each Party.

Co-Chairs: one (1) Nalcor representative chosen by Nalcor and one (1) Emera representative chosen by Emera.

(c) Quorum

The two (2) Co-Chairs or their delegates.

(d) Duration

The Joint Development Committee for the Maritime Link shall be established promptly following the Effective Date, and shall continue until one (1) year after First Commercial Power.

(e) Costs

Each party bears its own internal costs, and shares equally all third party costs, related to the Joint Development Committee for the Maritime Link.

(f) Resolution of Issues

Refer to section 5(b) of the Term Sheet.

3. Joint Operations Committee**(a) Purpose**

The Formal Agreements shall provide for a Joint Operations Committee consisting of representatives from both Nalcor and Emera that will meet on a regular basis in order to coordinate the operations and maintenance of the Transmission Assets.

(b) Composition

- (i) Four (4) representatives of Nalcor;
- (ii) Two (2) representatives of Emera;
- (iii) Chair: one (1) of the four (4) Nalcor representatives chosen by Nalcor
- (iv) Vice-Chair: one (1) of the two (2) Emera representatives chosen by Emera

(c) Quorum

The Chair and the Vice-Chair or their delegates.

(d) Costs

Each party bears its own costs in matters relating to the Joint Operations Committee.

(e) Resolution of Issues

The Nalcor representatives and Emera representatives shall cooperate and share information so as to reach consensus on issues.

If the Parties have different views on financial matters, Nalcor and Emera may each make representations to the applicable regulator for determination. The Nalcor and Emera representatives shall separately determine the positions of Nalcor and Emera respectively.

The Formal Agreements will assign operational responsibility for each of the Transmission Assets and the Party assigned such responsibility will have the final operational responsibility and control with respect to such assets.

Appendix "D"
Additional Investment

1. Upon Sanction of the Labrador-Island Link, Emera shall make the Additional Investment on the terms set out in this Appendix, and at such time:
 - (a) Nalcor will make a cash call for, and Emera shall pay for its pro-rata share of Previously Incurred Costs associated with the Labrador-Island Link. Emera's pro-rata share of Previously Incurred Costs shall be calculated as the percentage equal to the ratio of the Additional Investment divided by the Estimated Capital Cost of the Labrador-Island Link.
 - (b) Emera shall commence making progress payments, the process for which, including final reconciliation, shall be set out in the Formal Agreements.
2. The Additional Investment by Emera in the Labrador-Island Link will be pursuant to the following terms and conditions:
 - (a) The Additional Investment shall be calculated as the difference between (i) forty-nine percent (49%) of the Estimated Capital Costs for the Transmission Assets; and (ii) the Estimated Capital Cost relating to the Maritime Link, both as of the date of Sanction of the Labrador-Island Link.
 - (b) If the Additional Investment plus the Actual Capital Costs of the Maritime Link is not equal to forty-nine percent (49%) of the Actual Capital Costs of the Transmission Assets excluding cost overruns in the Labrador-Island Link that are not included in the NL rate base, Nalcor shall refund to Emera or Emera shall increase its investment in the Labrador-Island Link as the case may be, by the amount necessary to ensure that Emera owns forty-nine percent (49%) of the Transmission Assets. For the purposes of this calculation, Emera will be deemed to own the Maritime Link.
 - (c) Emera will receive ownership of the Labrador-Island Link proportionately as the progress payments are paid as provided for in section 1(b) of this Appendix "D". Their ownership interest in the Labrador-Island Link will be the Additional Investment Asset.
 - (d) Emera shall be responsible for the Labrador-Island Operating and Maintenance Costs to the extent of its proportional interest in the Labrador-Island Link using a cash call procedure to be incorporated into the Formal Agreements.
 - (e) Nalcor shall have the right to acquire the Additional Investment Asset as follows:

on the earlier of the following dates:

 - (i) the end of the Service Life of the Labrador-Island Link as approved from time to time by the Board of Commissioners of Public Utilities, at a price of one (\$1.00) dollar; and

- (ii) at any time at the fair market value using a discounted cash flow methodology to be established by the Parties in the Formal Agreements.
- (f) Emera shall hold the Additional Investment Asset in a NL public utility established and operating in NL with its sole permanent establishment for provincial income tax purposes in NL.
- (g) The Parties will develop the Labrador-Island Link in a joint venture or similar type structure that preserves the tax-exempt status of Nalcor.
- (h) Emera shall provide Nalcor with opportunities to invest in existing assets or in future investments being considered by Emera up to an amount equivalent to the Additional Investment on similar terms and conditions provided to Emera for the Additional Investment Asset.
- (i) The Formal Agreements will provide that any sale of the Additional Investment by Emera will not affect Emera's obligation to provide the Transmission Rights to Nalcor pursuant to this Term Sheet.
- (j) Emera will create an NL regulated utility, and that NL utility will hold the Additional Investment Asset and will file rate and budget requests with the Board of Commissioners of Public Utilities. The Formal Agreements shall provide Emera with a capital structure and return on equity equal to that approved by the Board of Commissioners of Public Utilities for privately owned regulated electrical utilities.

Appendix "E" NS Transmission Rights

Initial Term Rights

- (a) Emera commits to transmit Nalcor's electricity for the Initial Term through the NS system up to the capacity of the Maritime Link;
- (b) Nalcor commits to provide Emera from time to time with schedules of its capacity requirements, with adequate notice to give Emera the necessary time to plan and build any necessary upgrades or infrastructure to meet Nalcor's stated requirements;
- (c) Notwithstanding any schedule provided pursuant to section (b) of this Appendix "E", Nalcor will only pay the applicable NSPI Transmission Tariff charges for the capacity that was actually used by Nalcor;
- (d) If requested by Nalcor, Emera shall obtain and assign NS Transmission Service Agreement(s) or implement other contractual arrangements sufficient to enable Nalcor to transmit power and energy from the Delivery Point to the NS-NB border for amounts up to the energy and capacity limits of the Maritime Link, less any capacity on the Maritime Link assigned for delivery of the Nova Scotia Block and any other sales made to Emera.
- (e) Nalcor currently expects the schedule of transmission capacity requirements to be as follows:

Month	Capacity (MW)	Month	Capacity (MW)
January	150	July	330
February	150	August	330
March	330	September	330
April	330	October	330
May	330	November	330
June	330	December	150

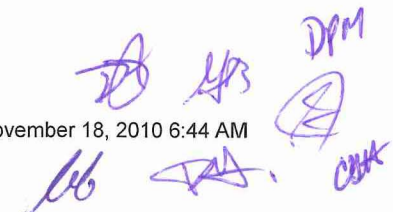
- (f) Emera shall pay all costs associated with such NS Transmission Rights other than those identified in section (c) of this Appendix "E".

15 Years after Initial Term

- (g) If Nalcor continues to provide the Nova Scotia Block, the NS Transmission Rights continue under the same terms as existed for the Initial Term;
- (h) If Nalcor does not continue to provide the Nova Scotia Block after the Initial Term, then NS Transmission Rights will be provided to Nalcor for the fifteen (15) years following the Initial Term as follows:

- (i) Emera commits to transmit Nalcor's electricity through the NS system up to the capacity of the Maritime Link;
- (ii) Nalcor commits to provide Emera with a schedule for the full fifteen (15) year term of its complete capacity requirements, with adequate notice to give Emera the necessary time to plan and build any necessary upgrades or infrastructure to meet Nalcor's stated requirements. This notice shall be given not less than seven (7) years before the start of such term;
- (iii) Nalcor will pay the applicable NSPI Transmission Tariff charges applicable to the scheduled capacity referred to in subsection h(ii) in this Appendix "E" but Nalcor will not be responsible to pay any other costs related to any transmission facility upgrades and additions;
- (iv) If Nalcor does not transmit as per its scheduled capacity, Nalcor will nevertheless pay the applicable NSPI Transmission Tariff charges as if the capacity was used by Nalcor; and
- (v) If Emera builds more capacity than is optimally required to meet Nalcor's load flow forecasts, Nalcor shall only be liable for that portion of that tariff that would have been charged had that not occurred.

November 18, 2010 6:44 AM



Appendix "F"
Project Schedule and Milestones

Muskrat Falls Plant Milestones

Joint Review Panel Hearings	Q1 2011
Joint Review Panel Report	Q3 2011
EA Release	Q4 2011
Sanction	Q4 2011
First Power	Q4 2016
Completion	Q4 2017

Labrador – Island Link Milestones

EA Guidelines	Q1 2011
EIS Submission	Q2 2011
EA Release	Q2 2012
Sanction	Q3 2012
System Integration	Q3 2016
Completion	Q4 2016

Maritime Link Milestones

Project Registration	Q2 2011
EA Guidelines	Q4 2011
EIS Submission	Q2 2012
EA Release	Q4 2012
Sanction	Q1 2013
First Power	Q4 2016
Completion	Q4 2017

Appendix "G"
Methodology for Calculation of Supplemental Energy

1. Prior to each submission to the UARB to support a UARB capital cost approval (the "Submission"), and using a methodology as agreed by the Parties and assumptions to be agreed by the Parties, the supplemental energy, if any, is calculated as follows:
 - (a) Determine the unit energy cost using a fifty (50) year amortization based on the following inputs used in the Submission:
 - (i) most recent projected annual energy deliveries of the Nova Scotia Block (before supplemental energy adjustment);
 - (ii) capital costs;
 - (iii) associated operating, maintenance, taxes and any other costs that are included in the analysis; and
 - (iv) financing assumptions.
 - (b) Adjusting only the amortization period above to equal that of the Initial Term, and eliminating any items noted in subsection 1(a)(iii) of this Appendix "G" beyond the Initial Term, calculate the amount of supplemental energy required to be delivered to equate to the unit energy cost as calculated in section 1(a) of this Appendix "G".
2. Scheduling for delivery of the supplemental energy calculated in section 1(b) of this Appendix "G" will be determined by Nalcor, and delivered to Emera over each of the first five (5) years of the Initial Term at the Delivery Point during the months of January to March and November to December from 11:00 p.m. to 7:00 a.m. Atlantic Time.
3. For greater clarity, the purpose of the calculation referred to in section 1 of this Appendix "G" is to reduce the timeframe for providing the Nova Scotia Block to the Initial Term. The calculation will not address:
 - (a) any costs submitted to the UARB that have been disallowed; and
 - (b) achieving a desired pricing target.

Appendix "H"
Methodology for Calculating the Average Energy
Production Potential at Muskrat Falls Plant

The predicted average energy production at Muskrat Falls will be confirmed through a numerical simulation by Nalcor's hydrological consultant. The simulation will consider the following factors:

1. An inflow series for the Churchill River upstream of Muskrat Falls covering the period from 1957 to 2006.
2. Parameters for the Churchill Falls and Muskrat Falls facilities, including turbine/generator ratings, efficiency curves, and fish compensation flow requirements.
3. Reservoir characteristics, including transit times, full and low supply levels, and storage and tailwater curves.

The simulation will consider as-built characteristics for Churchill Falls, and the final design characteristics for the Muskrat Falls Plant at the later of Sanction of the Muskrat Falls Plant or when turbine generation equipment is ordered with final design parameters, including efficiency curves and ratings. The simulation will also consider that the Nalcor-CF(L)Co water management agreement is in place.