

Meeting with Lawyers.

10/27/10

- * lots of discussion on ML Redevelopment Expansion.
- To Do: Need to add wording that if Emera decides not to proceed with ML Expansion, the Nalcor has the option to proceed alone.

Prep. for Emera Meeting. 10/27/10

- (1) How much additional investment does Emera get / income
 - * 1.8 billion / 40% equity = * 720 m
 - Income = * 720 m @ 9.35% = * 67 m

How much in additional risk could Emera take for this generated projected return?

- (2) Nalcor annual cash flow available.

$$\begin{array}{r} \text{* 275 m in first year} \\ \hline \text{50 m} \\ \hline \underline{\underline{325 m}} \end{array}$$

Emera
Market:
Island.

$$\begin{array}{r} 70 \\ 170 \\ 50 \\ \hline \underline{\underline{290}} \end{array} \times 28\% = \underline{\underline{81}}$$

Call with Natural Resources.

10/27/10

- Robert, Charles, Ed, Derrick

To Do: Try to reposition the Block "B" side as just another mtg type side

- Discussion w/F
 - (i) Block B
 - (ii) Price Gap
 - (iii) Additional Investment

Residual
Block B

$$\begin{array}{r} 1.7 \text{ Thh.} \\ (0.3) \\ \hline 1.4 \end{array}$$

Need 330 mW for seven months to move though N's and get to NB/Ray side.

- Key issue is whether ~~the~~ Emera needs to spend the * 50 m capitalized to get the 330 mW.

1.8

Energy Meeting

10/27/10.

- Emera offices, Halifax
- Nelson Martin, Stige, Bennett, Chamberlain, Hill, Humphries, A Warren
- Emera: Hackett, McDoon, Spurk, Gossman

⇒ Received Additional Investment.

To Do: Come out the Additional Investment wording for Emera.

- Emera distributed their "Issues List"
- Term Sheet Structure
 - Need more input into governance in order to proceed with detailed Term Sheets
- NS Transmissions Rights
 - Issue is whether we get enough to satisfy our needs or whether we get enough to satisfy up to ML capacity

- Chris: "pay as you go" concept works well as long as NSPI is not building any new transmission.
- NSPI will be introducing "Conditional firm" in their tariff

Emera is committed to do the following:

- shape system to what we need
- add capacity if we need more
- Emera is willing to take the risk once we land on what Emera will provide

- we need to tell Emera exactly what capacity we need - (in NS and NB)

To Do: World need to revise Term Sheet
to reflect:

- (a) grandfathered capacity we need in NS.
- (b) "Conditional firm" concept
 - need to define this.

Governance:

- Chris: value in having parties discussing/ thinking about the issues. Does the 80/20 voting structure achieve this?
- Emera focus is on the big decisions - if we land 80/20 on key decisions, we would share cost with equally.
- Chris pointed to an example of a dispute resolution mechanism for tech dev - being in a tech advisor to decide

-) Could we separate the personnel model for generation & transmission?

- * could have more cost sharing if key decisions making on Transmision.
- * Could define the NS portion price to be allocated only to Trans. Assets.
ie 49% of Trans costs.
- * Then Trans would not be at risk on generation - just from the fuel to transmision.
- = G/HG's.
 - go back to words we agreed on at Sept. 30 / 10 meeting.
- n
- * Pricing for NS Block "A":
 - Discussed hedging of steel and commodity items in our CCP capital cost estimator.
 - Chris talked about:
 - (i) Escalation
 - (ii) Contingency
 - Discussed the need to be aligned in the compensation we are using in NS and NL.

- We need to focus on estimates and contingency to get the cost estimates reduced for the NS regulatory filing.

- NS Block "B" not needed now to close the gap (maybe) - but still might be interested in considering it.
- Need to re-work numbers to get to 7225 mwh AEP
 - this risk sharing will disappear.

Key Changes to Term Sheet:

- (1) Article 9 - NS Trans. Rights
 - include par 5 in Appendix A that we need (Appendix)
 - Load - firm
 - Day after start bid ask for so profile
 - Prohibit to propose NS Bid.
- (2) G/HG - go back to original wording
- (3) Cost Risk Sharing
 - remove old wording
 - MF full cost risk to NLGE
 - ILMs - stand cost risk

(4) Trans. Losses
- new bidding from
P. Thompsons

(5) Governmental Structure
- make us Purch. Price linked
to transmission

Ed, Dennis & Collet had private
meeting with Chris Hultzen and
team.

8:30 pm - back to MC to debrief
with lawyers

Meeting with Emera 10/28/10.

- 1:00 pm
- Emera can assign the NS
Trans ~~Market~~ to Noltor.
Rights
- Additional Energy
- Don't get utility costs to
develop wind.
- On 100% at possibly shaping
what they pay in early years
- lower price is early yrs
- not changing rules overall,
just changing timing-

Security & Finance

① Not permitted

② Ability to cap

[TO DO] Get Boyside summary for
Wenger / mc

[TO DO] Review to how "A" going to
"A", bad option to go "B".

- Benefits Plan (money)

Meeting with Emera 10/28/10.

- 6:30 pm, Emera offices, Hobart.

Issues:

- | | |
|-----|---|
| (1) | Load Shape / NS Trans Rights. |
| (2) | Governmental Risk Sharing |
| (3) | Alignment w/ VARB Act / Sanction
Timing / EA Payment Dates |
| (4) | Term Sheet (Comments) Next Version |
| (5) | Block B |
| (6) | Boyside Due Diligence |
- [TO DO] List of Needs for Boyside
Due Diligence.