Lower Churchill Phase I: Indicative Rating Presentation

November, 2011

Boundless Energy

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Confidential and Commercially Sensitive

Nalcor Team

- Derrick Sturge – VP, Finance & CFO
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- Lance Clarke – Business Services Manager, LCP
- Jim Meaney – Corporate Treasurer & Chief Risk Officer
- Auburn Warren – Manager, Investment Evaluation
- Terry Paddon – Deputy Minister (NL Finance)
- Charles Bown – Associate Deputy Minister (NL Natural Resources)
- Rob Hull – General Manager, Commercial & Financing
- Rob Henderson – Manager, System Operations and Customer Service
- Tom Garner – Financial Advisor (PwC)

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Presentation Outline

1. Safety Moment
2. Purpose of Presentation
3. Introduction & Background
4. Investment Grade Rating Highlights
5. Project Execution
6. Project Structure & Key Agreements
7. Financing Strategy
8. Financial Metrics & Debt Service
9. Summary and Next Steps

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Safety Moment

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Purpose of Presentation

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Purpose of Presentation

- Launch the indicative credit rating process, excluding a federal loan guarantee ("FLG"), for the proposed $4.0 billion project debt financings for Phase I of the Lower Churchill Projects ("LCP"):
  1. Muskrat Falls ("MF") and Labrador Transmission Assets ("LTA")
  2. Labrador Island Link ("LIL"), assuming 100% Nalcor ownership
- Nalcor is undertaking this credit rating assessment now for two reasons:
  - to gain valuable financial market information as we prepare for a Project Sanction decision in 2012; and
  - to facilitate our ongoing discussions with the Government of Canada on the FLG by establishing a non-guaranteed credit rating
- Financing of the Maritime Link ("ML") to be undertaken by Emera Inc. – outside the scope of this credit rating request

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Investment Grade Rating Highlights

- ✓ Robust business case
- ✓ Attractive project attributes
- ✓ High quality regulated revenues
- ✓ Assembled experienced team with mega-project expertise
- ✓ Proven operating experience
- ✓ Robust financial profile
- ✓ Access to export markets via two transmission routes
- ✓ Strong support from Shareholder – Government of NL
- ✓ Projects supported by Innu – ratified Innu Benefits Agreement ("IBA")
- ✓ Projects supported and endorsed by Government of Canada

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Introduction & Background

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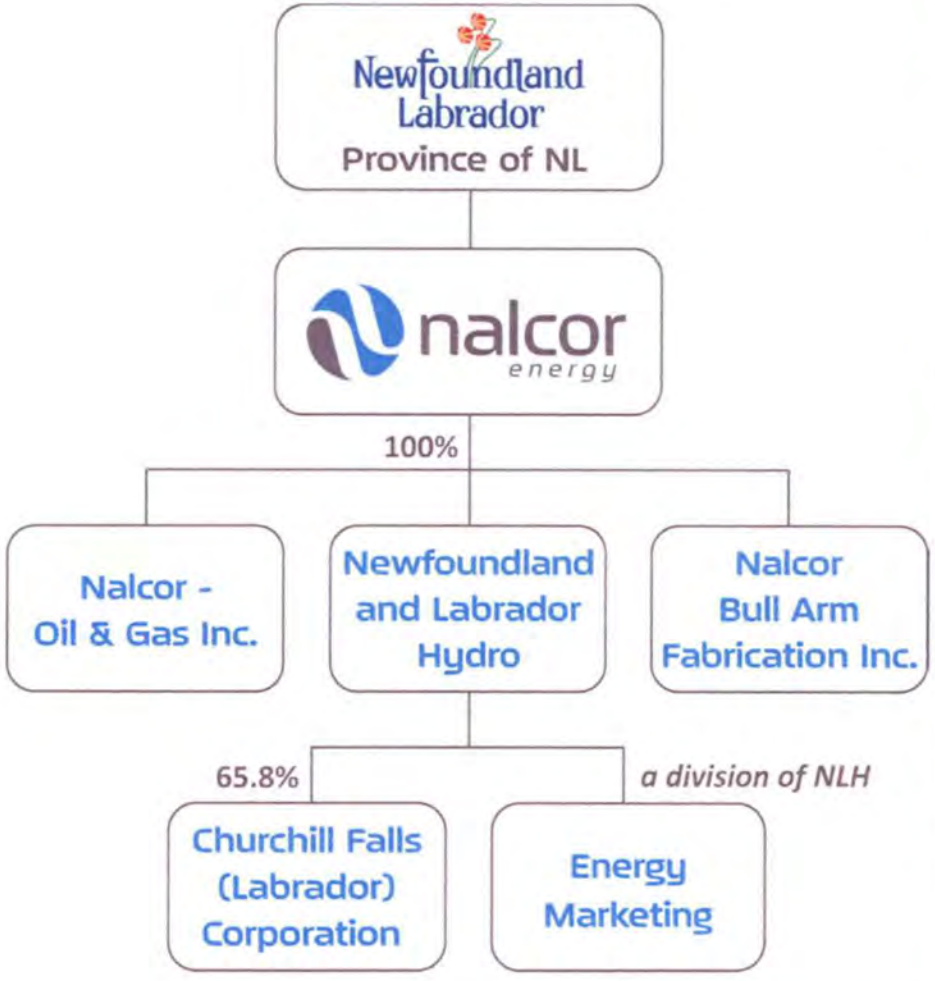
Nalcor Energy – Corporate Profile



Who is Nalcor?

- Diversified growth focused energy company
- World class energy assets
- Partner with other leading energy companies
- Demonstrated history of building and operating hydro-electric and transmission assets
- Key player in executing NL Energy Plan

Key Assets/Operational Statistics

Hydro-electric generation (MW)	6,386
Other Generation (MW)	698
Transmission Lines (km)	4,820
Labrador-NY Transmission (MW)	265
Oil Reserves (Mbbls)	22.7
Oil Production (000 bbls per year)	840
Domestic Electricity Sales (TWh)	8.4
Export Sales- HQ (TWh)	29.0
Export Sales – NY/NB (TWh)	1.5

Nalcor Energy - Financial Profile

($ millions, except ratio)	2005	2006	2007	2008	2009	2010	2011 (F)
Revenue	527	542	568	563	562	589	698
Net Income	72	70	82	82	60	78	128
Cash from Operations	124	122	134	141	116	146	217
Debt	1,462	1,362	1,252	1,184	1,000	937	944
Equity	507	574	678	935	1,142	1,265	1,401
Debt:Equity Ratio	74:26	70:30	65:35	56:44	47:53	43:57	40:60
Capital Expenditures	48	61	87	206	178	196	305
Dividends	56	3	---	---	---	---	---
Total Assets	2,204	2,216	2,286	2,480	2,631	2,805	2,756

- Significant improvement in capital structure since 2005
- No dividend payments since 2006 – all cash reinvested
- Significant equity contributions made by Shareholder
- Debt levels reduced by $500+ million
- Investments in Lower Churchill and Oil & Gas all financed by equity (in excess of $500 million)
- New investment starting to produce significant cash flow in 2011
- Newfoundland Labrador Hydro ("NLH") regulated ROE to be same as Newfoundland Power starting in 2012

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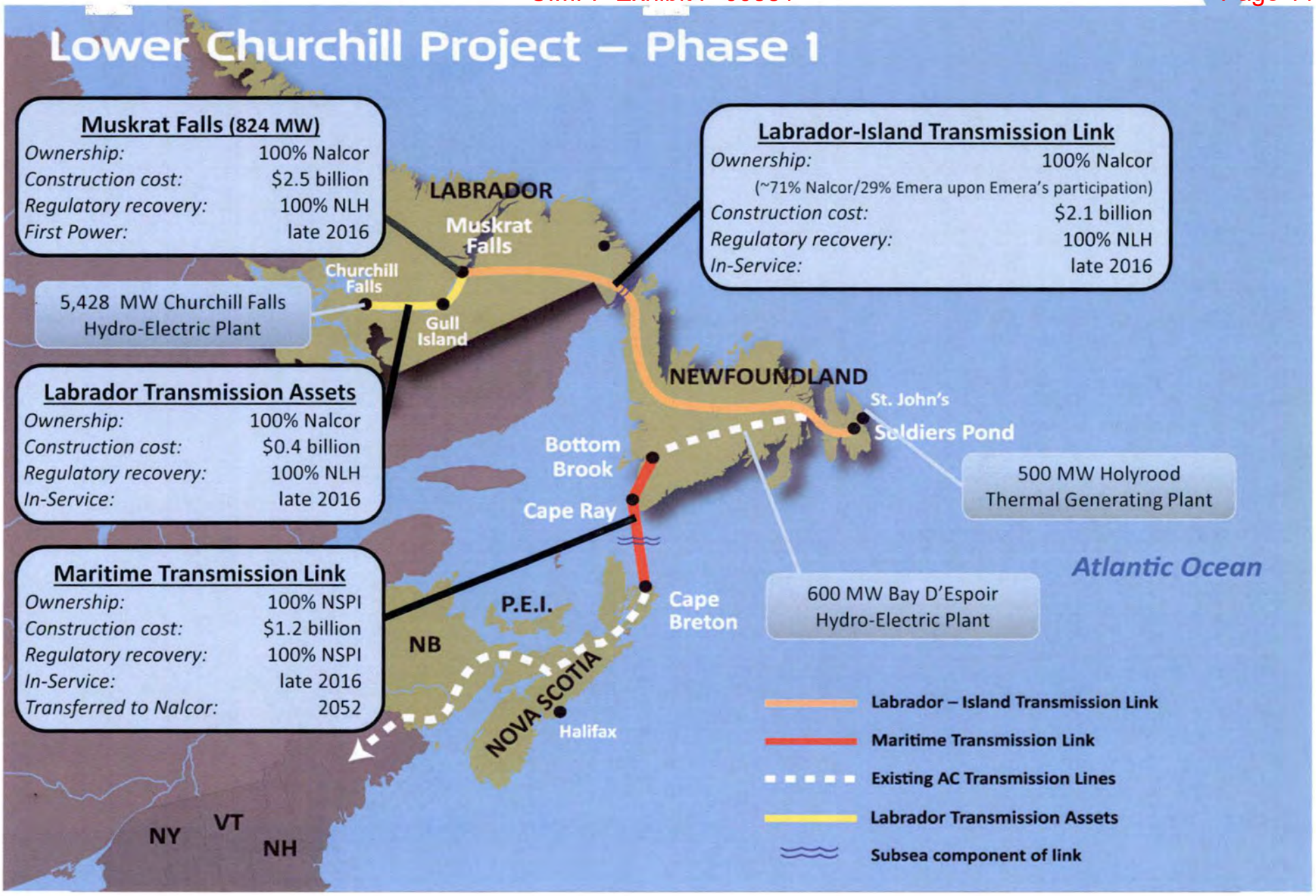

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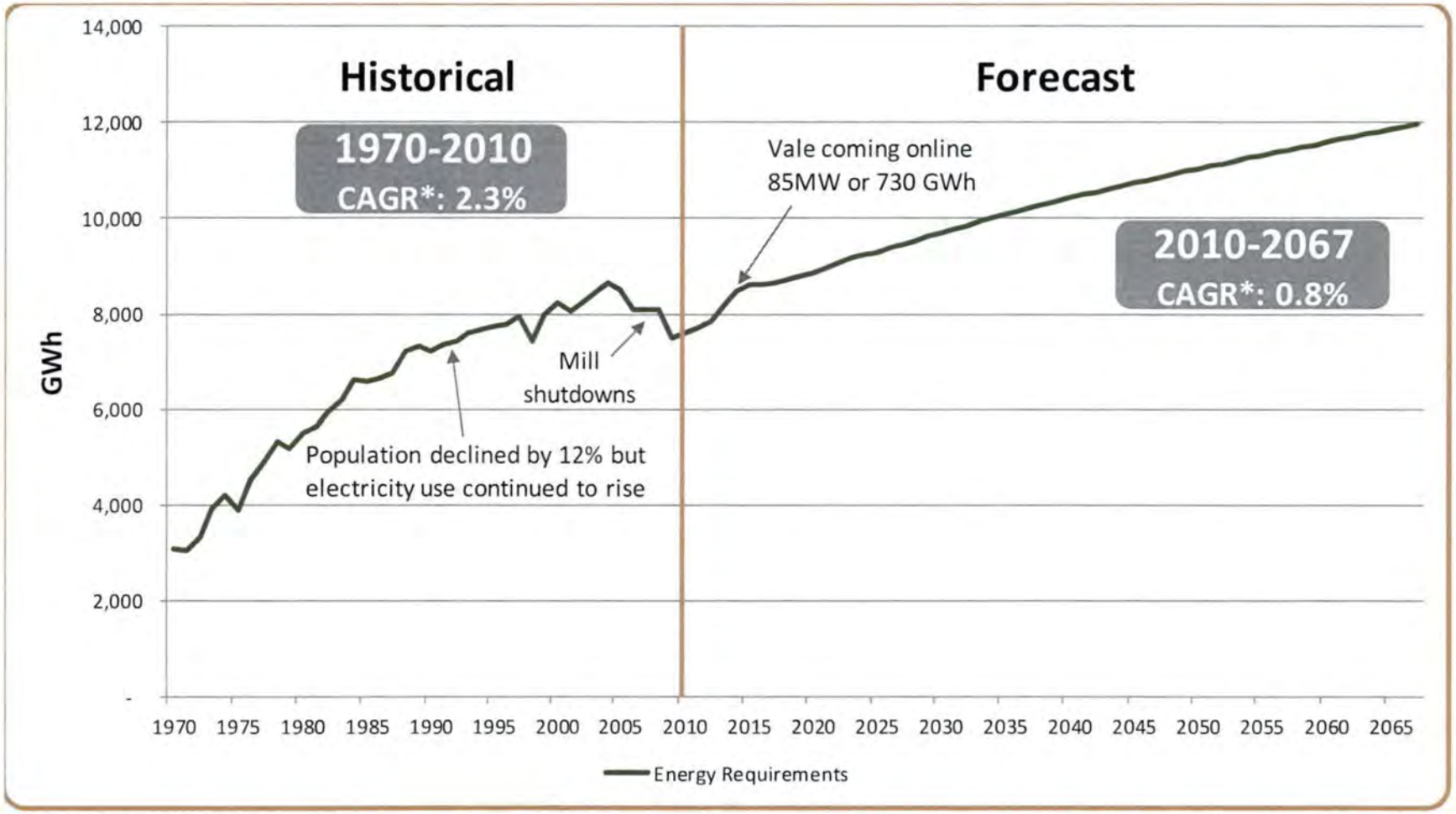
Island Electricity Needs



***CAGR** - Compound Annual Growth Rate

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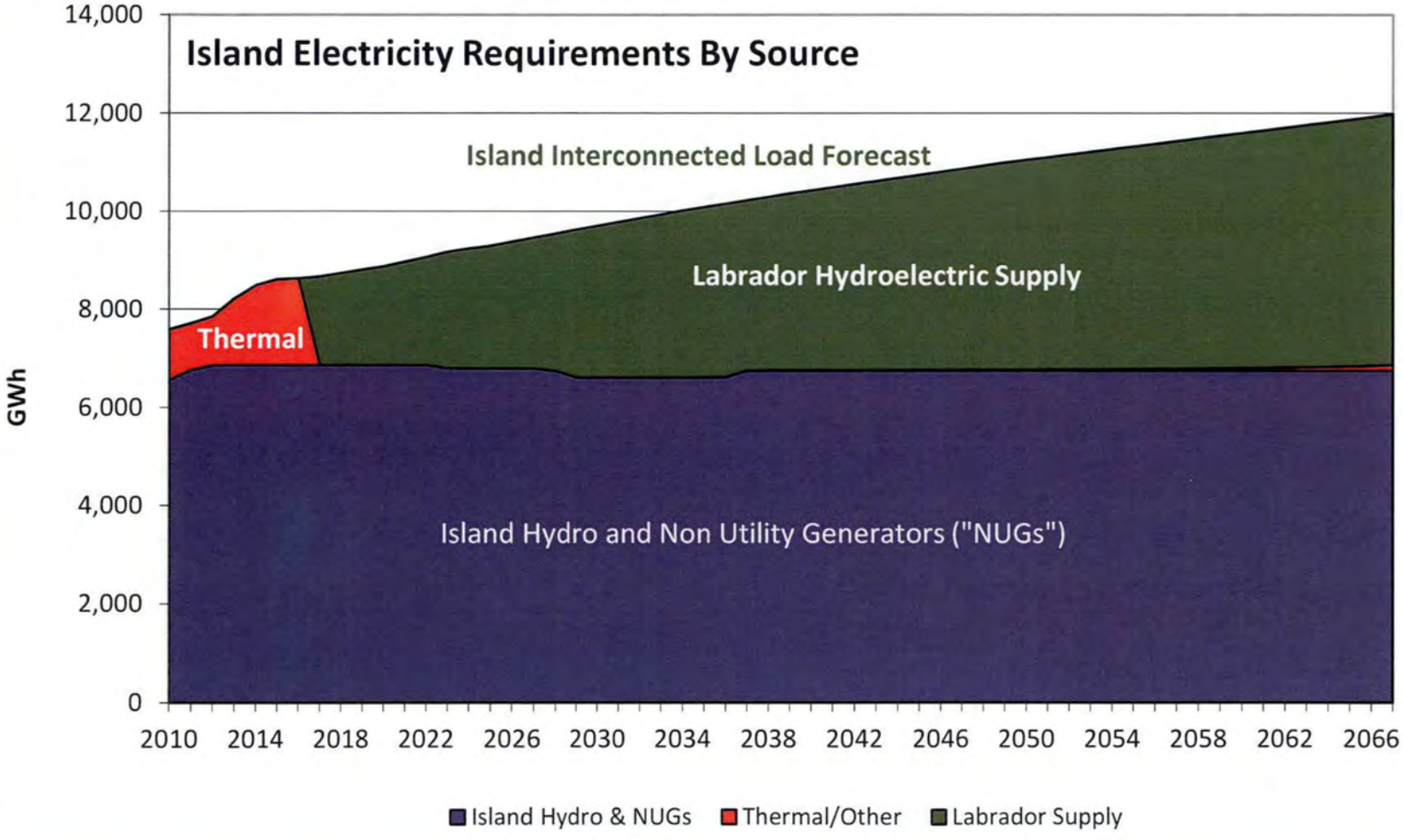
Island Supply Projections (2010 – 2067)



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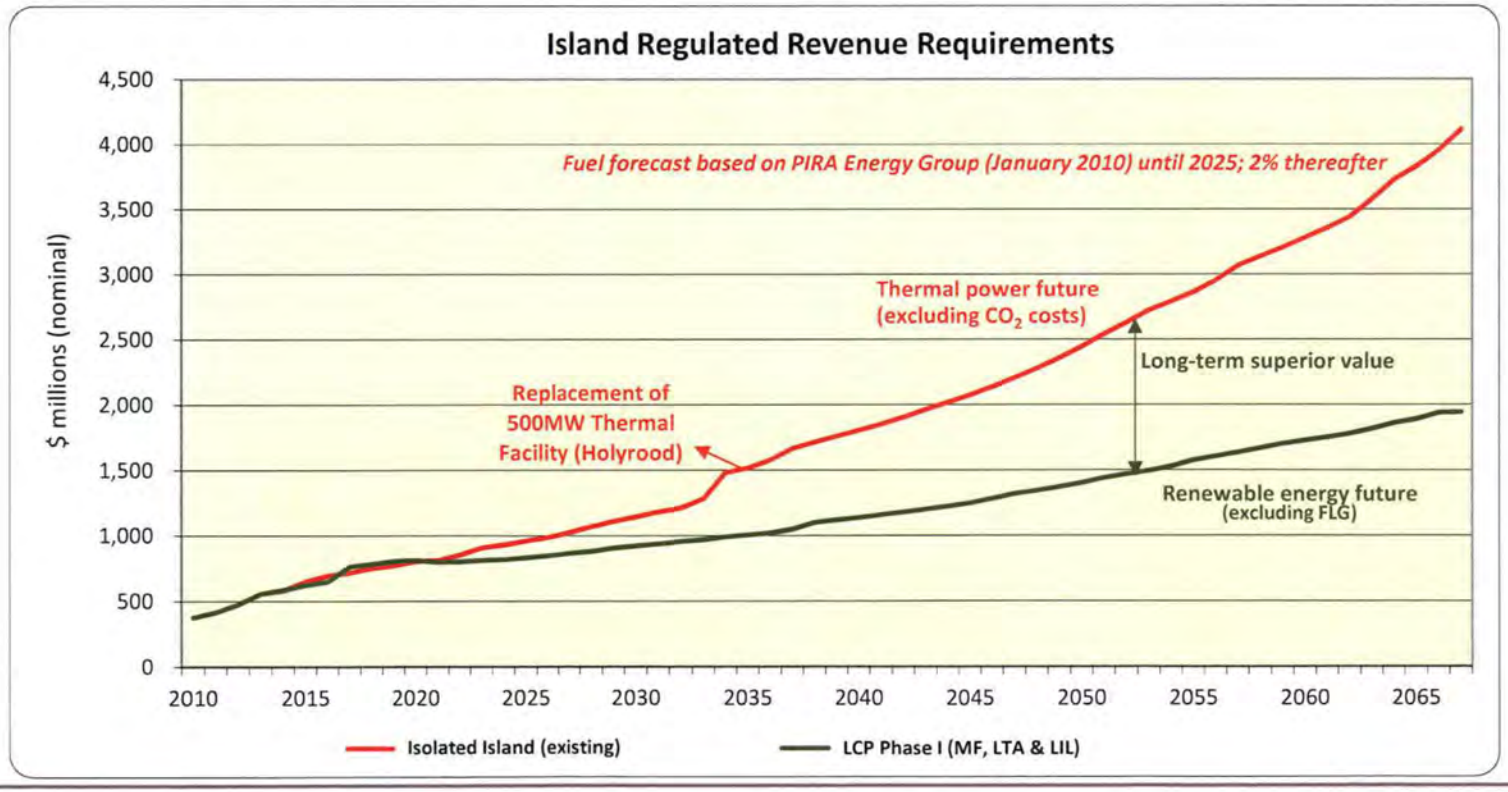
Island Supply Costs

- MF provides the least-cost alternative to meet NLH customer demand for power
- $40+ billion in nominal savings over the life of the asset (PV of $2.2+ billion savings)
- Long-term rate stability – removes reliance on thermal generation and global fuel prices
- Muskrat Falls provides a reduction in "real" rates to customers



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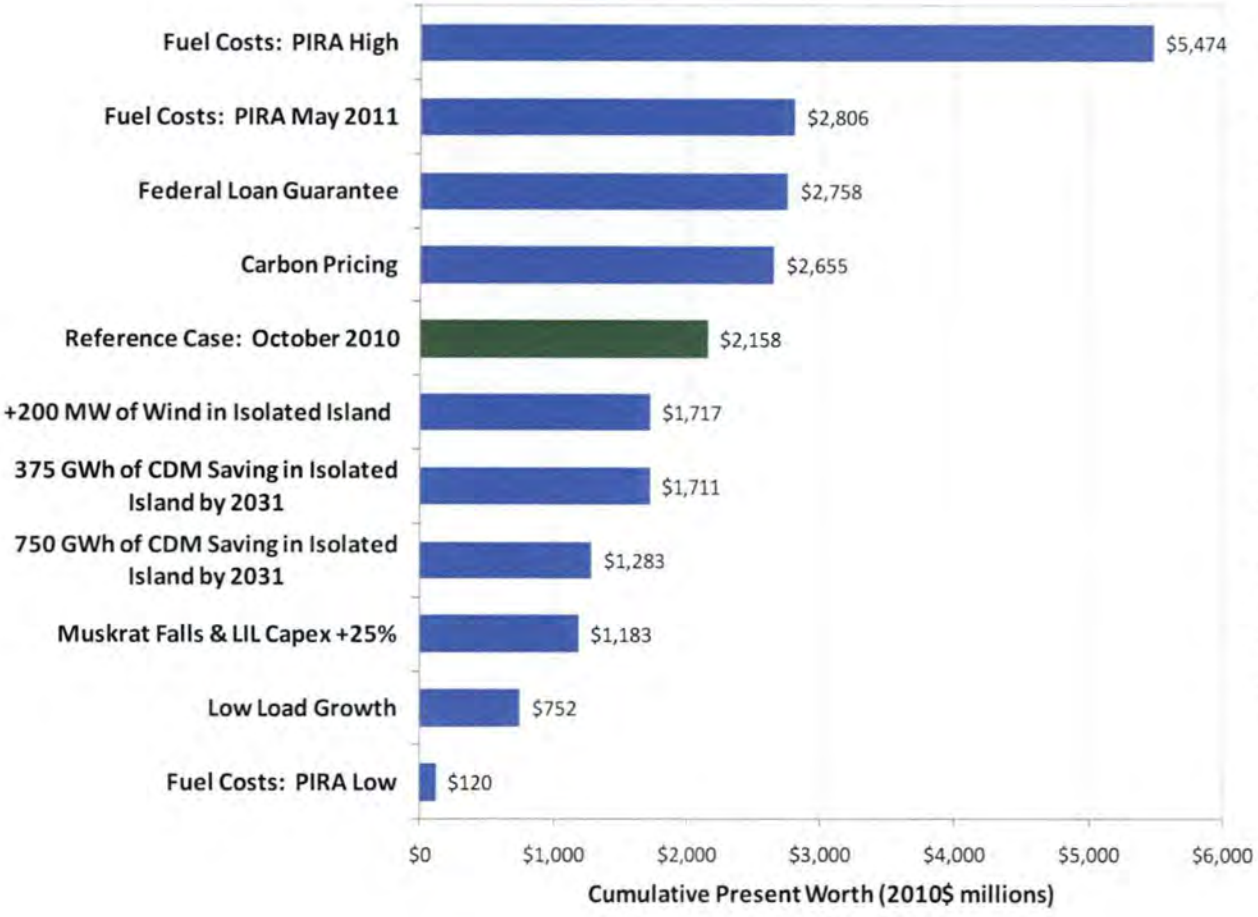
Robustness of Island Supply Decision



All of the sensitivity cases run by Nalcor and Navigant resulted in a Cumulative Present Worth preference for the Interconnected Island alternative clearly indicating the robustness of the DG2 decision given the underlying risk and uncertainty in key assumptions.

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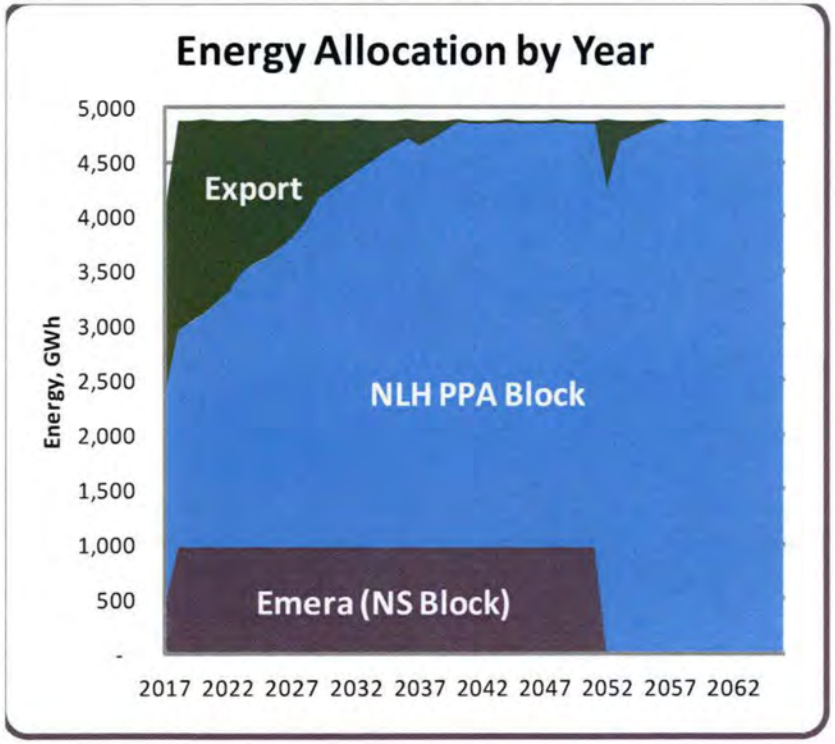
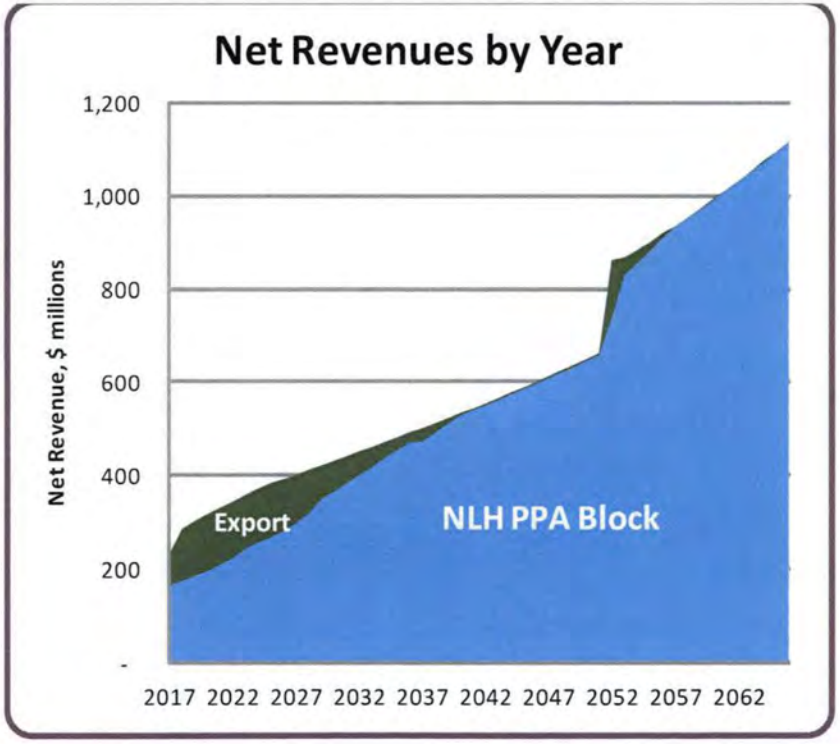
Annual Revenue and Energy Supply

MF energy and revenue are supported by a long-term Power Purchase Agreement ("PPA") with NLH to meet Island demand





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Where we are...

Project Execution

- Passed through Decision Gate 2 ("DG2") Q4-2010; moving towards Decision Gate 3 ("DG3") Sanction Q2-2012
- SNC Lavalin ("SNC") engaged as EPCM Consultant
- Environmental processes under way
- Innu Nation IBA and land claims ratified
- RFP's for LIL subsea cable and MF turbine and generator contracts issued
- DG2 independent reviews on project execution readiness and business case completed
- Independent Engineer RFP process underway and to be engaged by Q1-2012

Commercial & Financing

- NL Government Commitment Letter – equity commitment and cost recovery framework to be enacted by Q2-2012
- NL Memorandum of Principles – agreed to principles for power supply and transmission arrangements with NLH; agreements to be finalized Q1-2012
- Emera Term Sheet – agreements to be finalized Q4-2011
- Financing strategy well developed
- FLG Memorandum of Agreement with Canada; term sheet to be finalized Q1-2012
- Water Agreements executed

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Financing Strategy & Capital Structure

- Debt Structure
  - Traditional project financing – construction period loan with long-term takeout
  - 3 project entities participating in 2 financings (MF/LTA borrow jointly)
  - Sizing based on available debt service coverage from NLH revenues
  - Total debt of $4.0 billion
- Prudent capital structure, debt-to-equity ratios as follows:
  - MF 60:40; LTA 42:58 (Combined 58:42)
  - LIL 75:25
- Equity to be provided by Nalcor via NL equity commitment
  - Base equity level
  - Contingent equity level – to ensure in-service achieved
- Debt Service
  - All debt service is supported without export sales
  - Debt Service Reserves and Liquidity Reserve account

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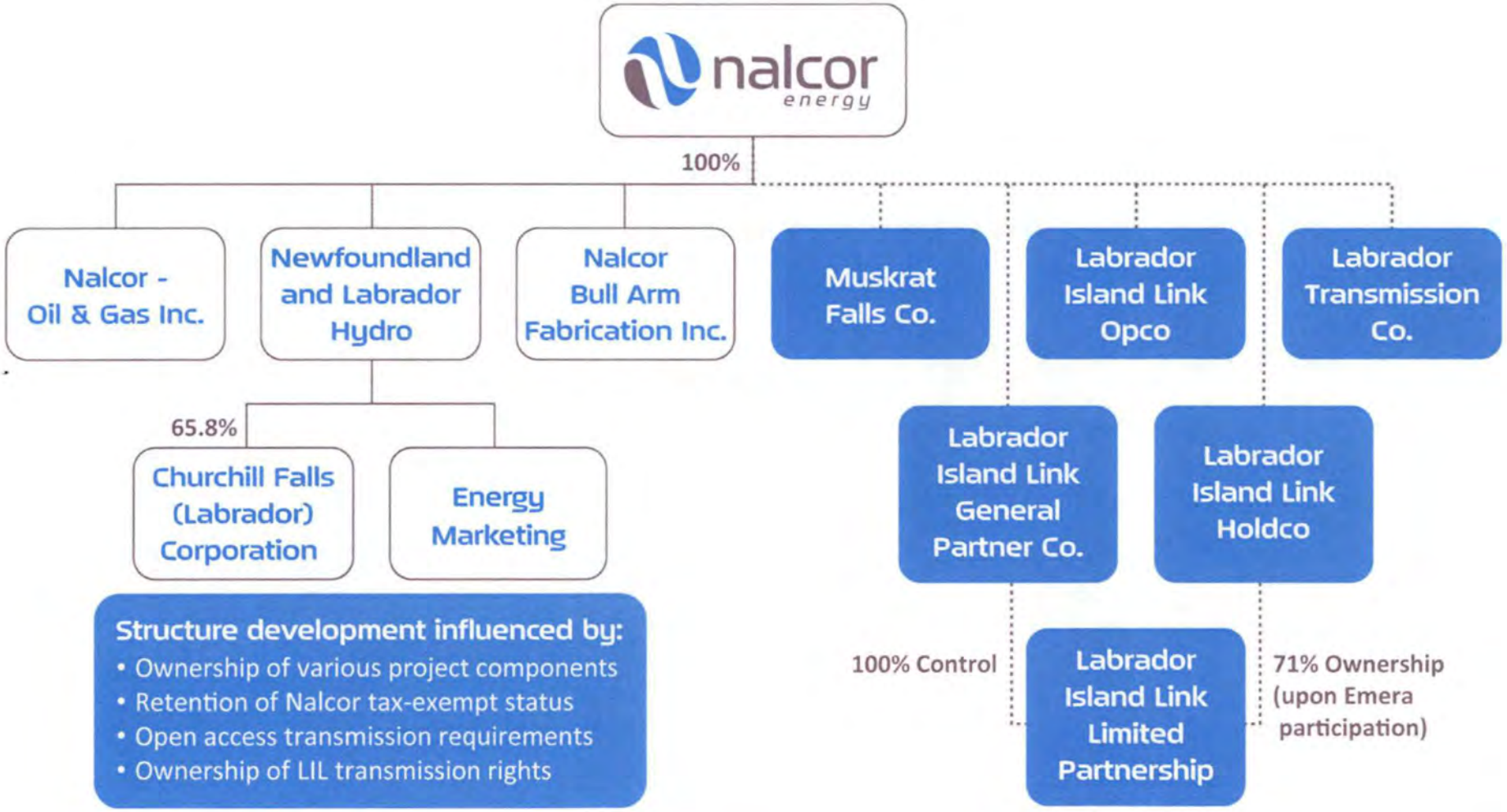
Nalcor's Future Corporate Structure



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Investment Grade Rating Highlights

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Investment Grade Rating Highlights

✓ Robust business case

- Least cost source of new generation
- $40+ billion nominal ($2.2+ billion PV) preference over Isolated Island scenario
- Eliminates rate volatility and provides improved reliability
- Hydro-electric generation provides the ability to store electricity, ease of dispatch, and facilitates development of other renewable energy
- Decline in electricity prices in real terms
- Business case confirmed by Navigant independent review report

✓ Attractive project attributes

- MF hydrology and site conditions make it one of the two lowest cost undeveloped hydro-electric projects (as per 1992 National Energy Board Report)
- The MF project attributes favorably impact MF costs compared to other hydro projects
- Proven hydro-electric and transmission technology

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Investment Grade Rating Highlights (continued)

✓ High quality regulated revenues

- Government commitment to ensure cost recovery from NLH regulated customers
- Export sales are not required for debt servicing
- 50-year power supply and transmission contracts with NLH

✓ Assembled experienced team with mega-project expertise

- Team has extensive hydro-electric and transmission experience
- World-class tier 1 suppliers and contractors
- Disciplined project execution and risk management approach
- Assembled world-class project management experience including building and operating energy assets in Labrador
- Understanding and managing interdependencies is a key focus for the project team

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Investment Grade Rating Highlights (continued)

✓ Proven operating experience

- Operating over 6,000 MW of hydro-electric projects for over 40 years
- Built and operated over 4,800 km of transmission lines
- Experience in trading electricity in North American electricity markets

✓ Robust financial profile

- Debt fully amortized within life of contracts
- Delivering strong forecast debt service coverage ratios in base and stress cases
- Lenders protected from variations in hydrology

✓ Access to export markets via two transmission routes

- Partnership with Emera provides transmission routes into NS, NB and New England
- Supplemented by existing 265 MW firm HQTE transmission rights to New York

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Investment Grade Rating Highlights (continued)

- ✓ **Strong support from Shareholder – Government of NL**
  - Lower Churchill fundamental to Energy Plan
  - Shareholder commitment for sufficient equity to achieve project in-service
  - Framework to ensure recovery of costs from NLH regulated customers (the "Government Assurance")
- ✓ **Projects supported by Innu – ratified IBA**
- ✓ **Projects supported and endorsed by Government of Canada**

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Project Execution

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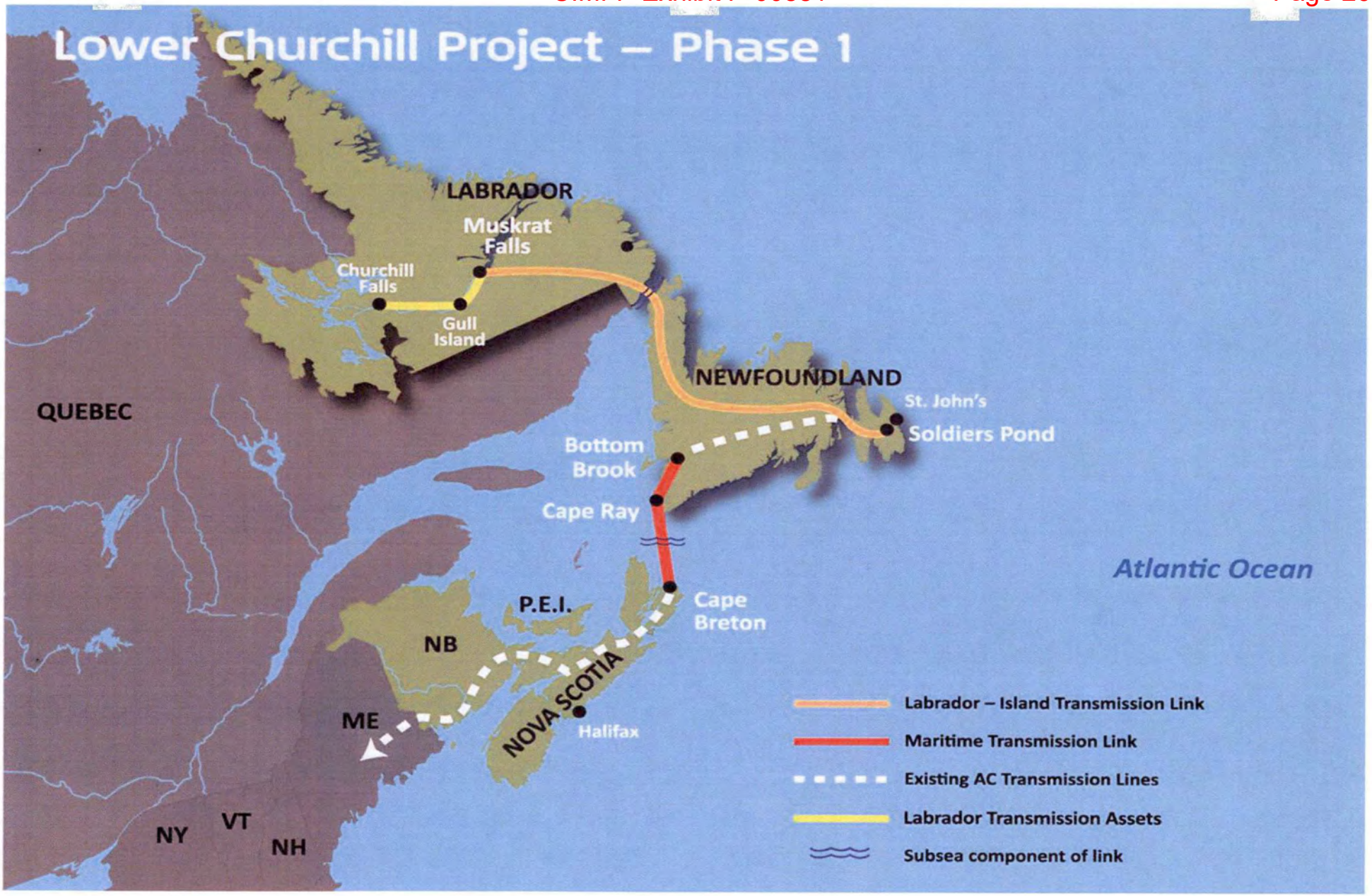

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Key Messages

1. World class project team in place
2. Applying project management best practices and front end loading
3. Schedule – clear line of sight through milestones to first power
4. Capital cost estimate – based on comprehensive process
5. Organization – equipped and structured to deliver
6. Contracting approach – appropriate risk allocations

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Mega-Project Success Factors

- ✓ Clear scope definition
- ✓ Solid project plan
- ✓ Realistic basis for cost estimates
- ✓ Optimal delivery/contracting strategy including early de-risking and risk allocation
- ✓ Application of proven technology
- ✓ Strong, owner team that includes functional expertise and offers continuity over the Projects
- ✓ Strong and effective project control during execution

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A Project Development Perspective

- MF
  - A large civil project but not overly complex to design and build
  - Uses tried and tested, proven equipment and technology supplied by world class suppliers such as Voith and ABB
  - Expected to attract world class contractors such as Skanska, PCL and PKS
  - Built at a single site with a dam ~760 m wide and ~35 m high on bedrock
  - ~35 km from a major town with all facilities and services, airport and port
- LTA
  - This transmission line follows existing right of way close to the Trans-Labrador Highway
  - Consistent with voltage class that NLH has used for many years
- LIL
  - This is a large, long, linear but not overly complex HVdc transmission project
  - Uses HVdc "classic/traditional" technology in use for over 40 years in Canada
  - Designed and supplied by world class suppliers such as ABB and Siemens
  - Strait of Belle Isle ("SOBI") crossing uses tried and tested installation methods
  - Subsea cables designed, manufactured and installed by companies with world class experience such as ABB, Nexans and Prysmian

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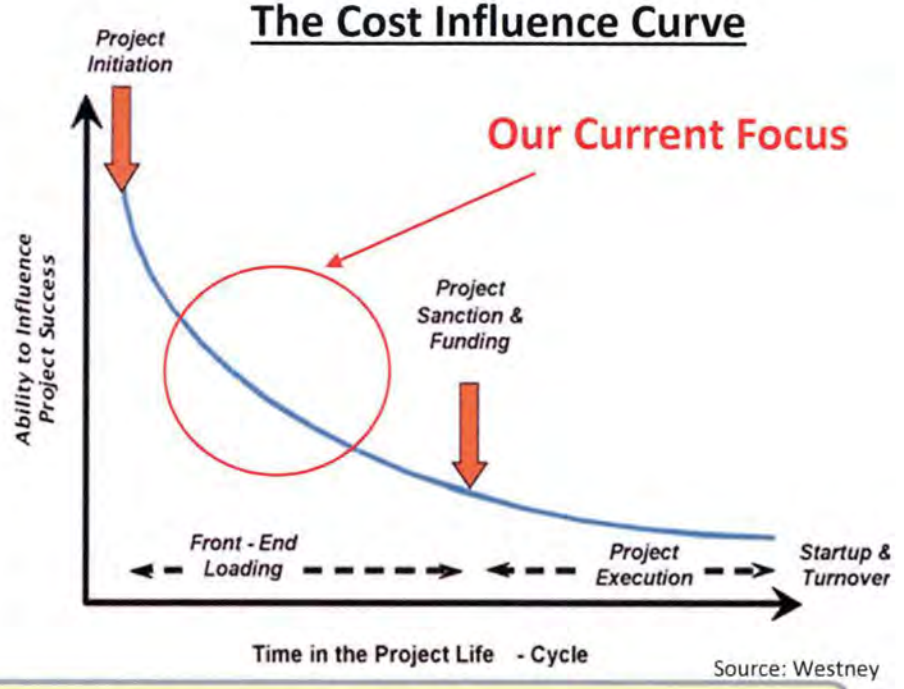
Front-End Loading - Influence on Project Outcome

- Front-end loading project definition and execution planning
- Early and continued focus on de-risking the projects
- Robust and disciplined project management with strong owner project controls
- Contracting strategies that minimize and optimally allocate risk
  - Nalcor is the Integrator
  - Engaged a world-class EPCM consultant (SNC)



Source: Westney

"Project is better prepared than a typical megaproject at end of Front-End Loading (FEL) 2," and the "Project has clear objectives and a well-developed project team that has closed the project scope and achieved optimal project definition."

- Independent Project Analysts, August 2010

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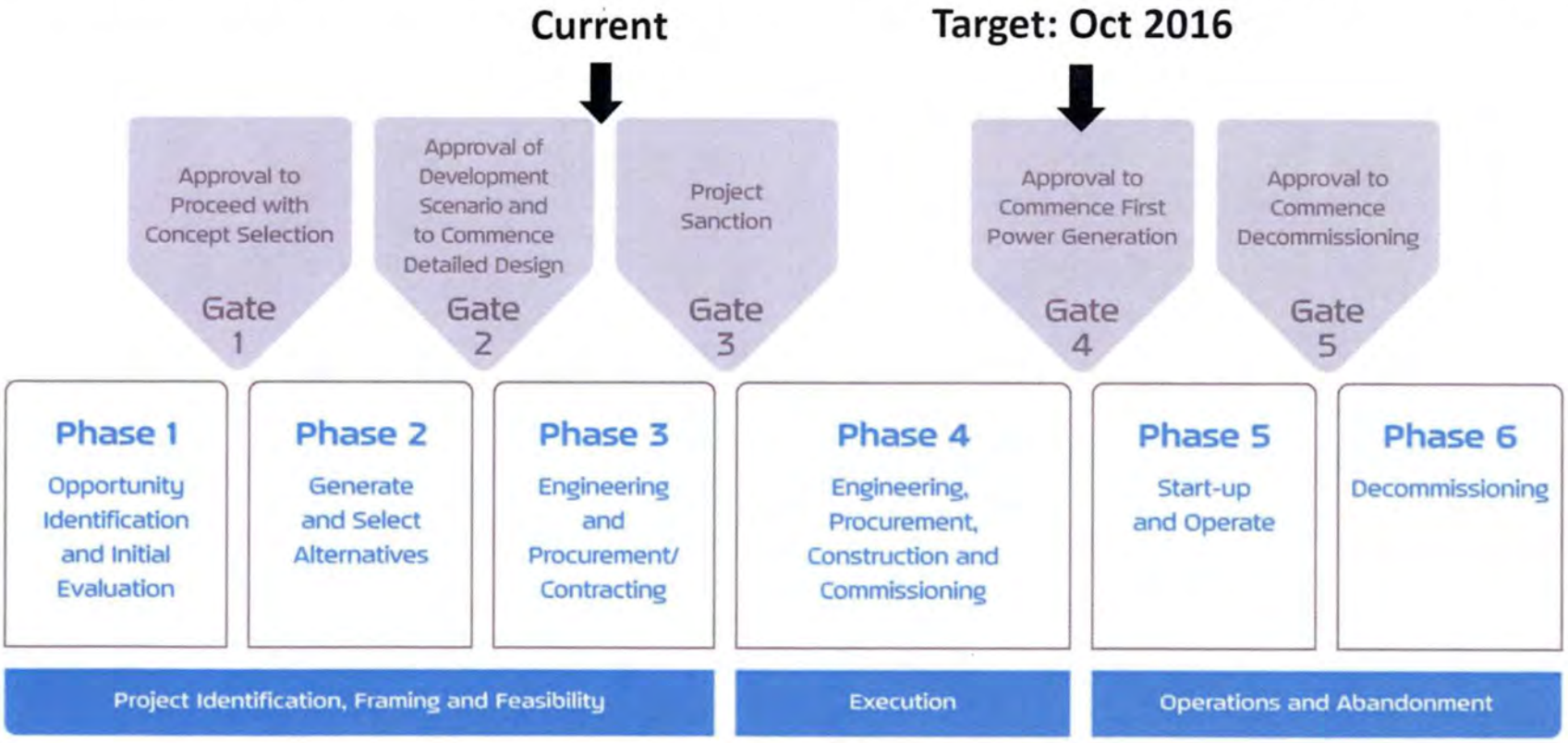
Stage-Gate Process

- Nalcor is implementing the Projects using a disciplined Stage-Gate Process
- DG2 was achieved in late 2010 and work toward DG3 is currently under way and is projected for completion Q2-2012
- Gatekeeper is Nalcor CEO in consultation with Nalcor Board of Directors and agreement with Shareholder



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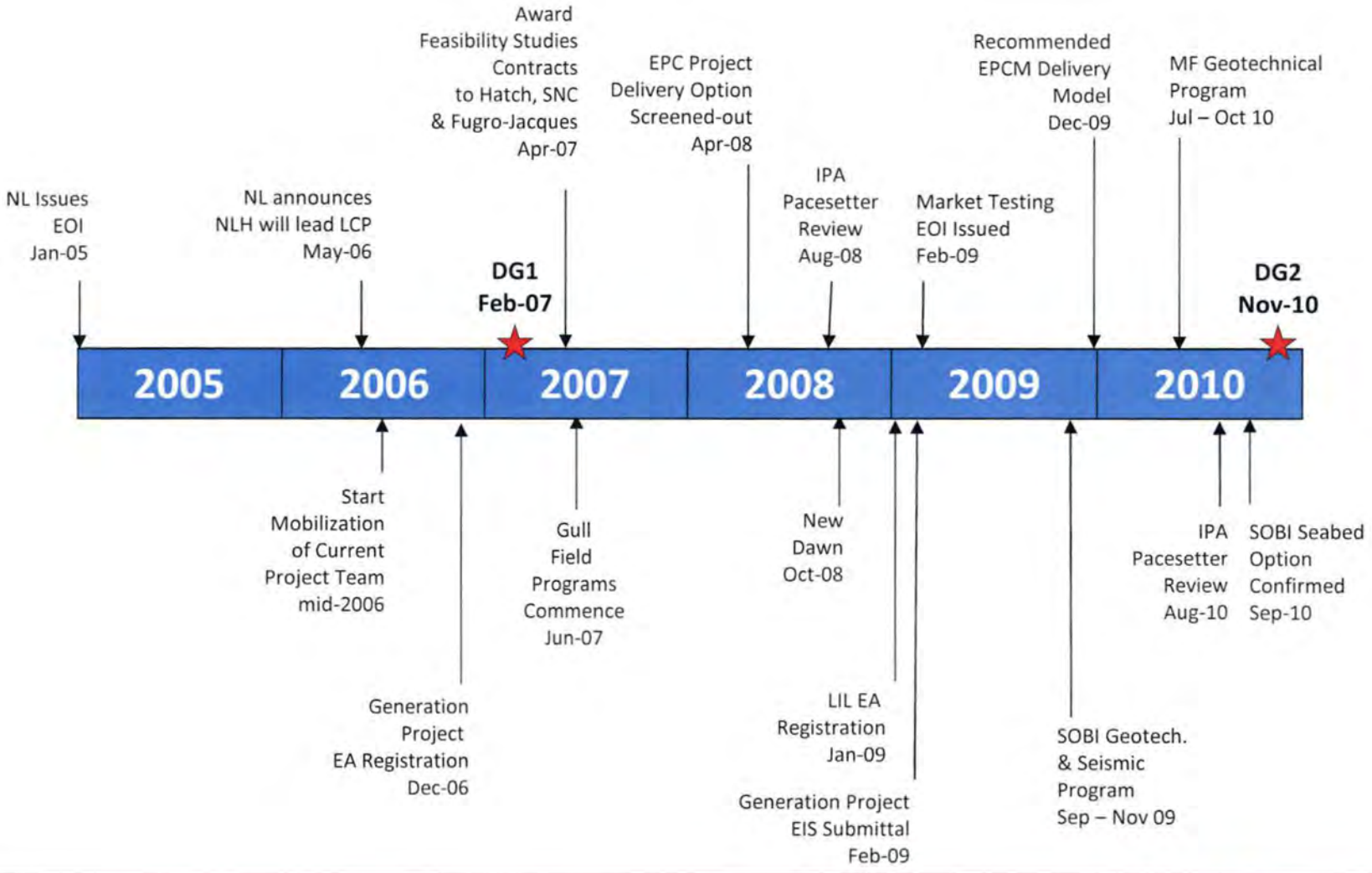
Key Project Achievements



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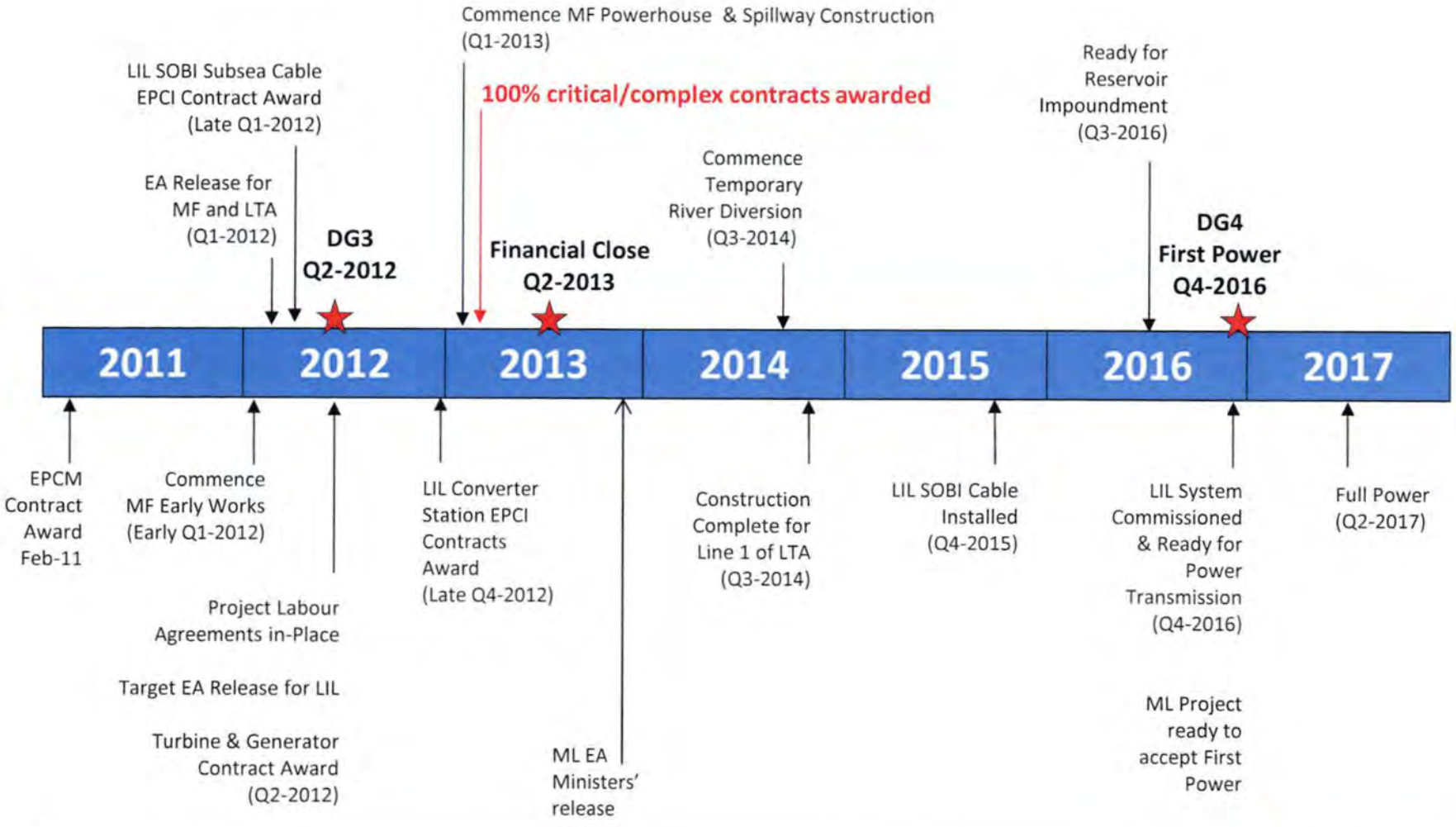
Project Milestones



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Establishing the Cost Estimate

The accuracy of the cost estimate is a function of the engineering, procurement and contracting carried out as shown below

- AACEI* Class 4 Estimate
- Some site investigation work
- Concept selected and feasibility work complete
- Project scope defined
- Quantities estimated based on previous studies
- Estimate based on earlier feasibility studies escalated and updated with latest data
- The estimate reflects the Basis of Design approved at DG2

- AACEI* Class 3 Estimate
- Includes latest geotechnical analysis
- Quantities based on 3D model and detailed engineering work
- Includes actual bid costs for SOBI cable contract, T&G sets and LTA plus updated market intelligence and quotes
- Labour rates will be updated based on Labour Agreement
- The estimate reflects the Basis of Design at DG3

- AACEI* Class 2 Estimate
- Includes 100% of all critical/complex PO's and contracts which amount to 80% of all contracts
- Firm quantities with EPC, lump sum and fixed unit price contracts as appropriate
- The estimate reflects the DG3 Basis of Design plus any approved project changes as per Management of Change process

* **AACEI** - Association for the Advancement of Cost Engineering International

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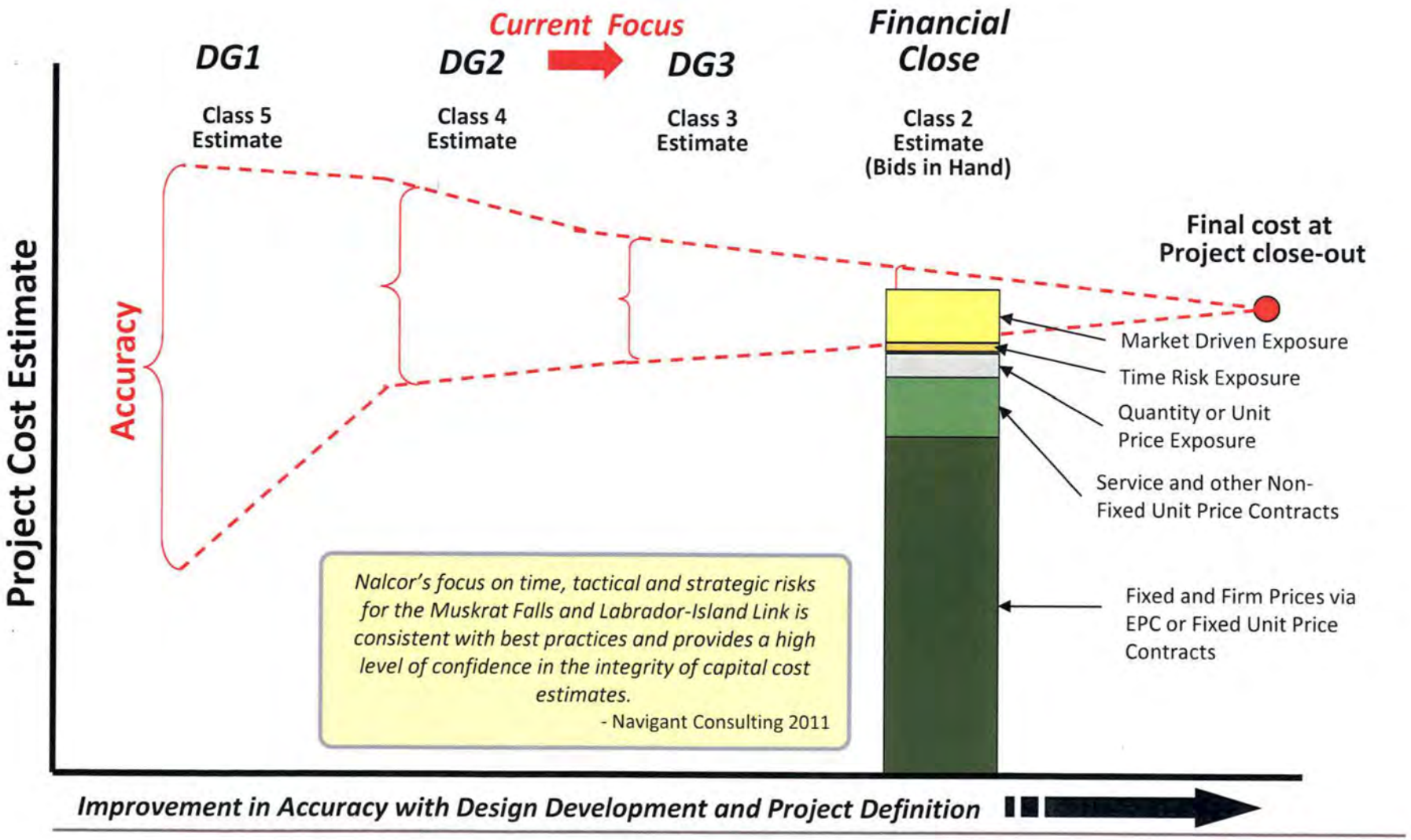
Establishing a Sound Cost Basis



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MF Capital Cost is Driven by Favourable Construction Characteristics

Key Element	Muskrat Falls Site Characteristics
Geotechnical and Hydrology Conditions	• Competent bedrock (Canadian Shield) exposed/near surface • Minimal overburden to remove and dispose of • Conditions validated by comprehensive site investigations • Large Churchill Falls reservoir to call upon, to enable operational flexibility
Physical Layout	• No additional structures (ie. dykes) required to create the Reservoir– basically "filling up the river valley", leveraging Churchill Falls reservoir – no land purchase issues • Reliable and predictable flows leading to smaller variations in operating water levels • All power structures located at one main site • Simple/robust/conventional designs for major permanent structures • Conventional or roller-compacted concrete founded on bedrock • Generally low-profile dam structures (30 to 40 m high) • No underground works (MF has surface powerhouse) • No temporary spillway facilities to be constructed • Diversion uses existing topography and permanent structures (ie. spillway) rather than expensive temporary structures (eg. diversion tunnels) • Conventional tried and tested equipment • Access by road from Trans-Labrador Highway and close to Goose Bay

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MF Capital Cost is Driven by Favourable Construction Characteristics

Key Element	Muskrat Falls Site Characteristics
Constructability	• All construction materials primarily sourced from site excavations • Very good material balance leading to minimal excess material/spoils • Mostly conventional concreting methods and equipment, in dry conditions

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LCP Phase I Estimate – Key Points

- Detailed bottom-up estimate carried out
- Capital Cost Estimate Report issued at DG2 which fully documents the assumptions, pricing, risks and contingency which support the capital cost estimate
- Estimate validated by independent, expert, external consultants
- Estimate included quotes from suppliers and equipment manufacturers
- Escalation factors validated by external consultants
- Detailed engineering work is underway and the base estimate, escalation and contingency for MF, LTA and LIL will be updated to reflect the expenditures since DG2

LCP Phase I Estimate - MF

- A detailed bottom-up estimate approach at DG2 was used
- The DG2 estimate is based on engineering reports using calculated quantities, unit costs, wage rates, construction consumable costs, construction fleet costs, major permanent equipment quotes and historical production rates
- In addition for some areas such as the balance of plant and spillway gates, third party benchmarks from constructed plants combined with current unit costs have formed the basis of the estimates
- The quantities of bulk excavation, fill and concrete estimates come from a combination of sources, interpretation of the site layouts by experienced consultants and experts
- Currently engineering work continues and a 3D CAD model of MF is being built, a physical model of the facilities is being constructed and hydraulic flow modeling and optimization of the structures is underway
- The detailed engineering work underway by SNC will result in greater accuracy in the quantities of overburden removal, rock excavation, concrete and fills required to arrive at a Class 3 estimate

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LCP Phase I Estimate - LIL and LTA

- The overland transmission estimate has its foundation in the studies carried out between 2007 and 2010 which included site investigations and desk top studies
- Nalcor's transmission estimating norms were combined with productivity norms from RSW Inc. (now Aecom) based on their Northern Quebec experiences including logistics, construction methods and constraints
- Vendor quotations have been obtained for major hardware including overhead conductors, insulators, converter stations and subsea cables and have been incorporated in the estimate
- The detailed engineering work underway by SNC will result in greater accuracy in the overall material quantities required, number and type of towers, final distances, foundation design and access roads to arrive at a Class 3 estimate

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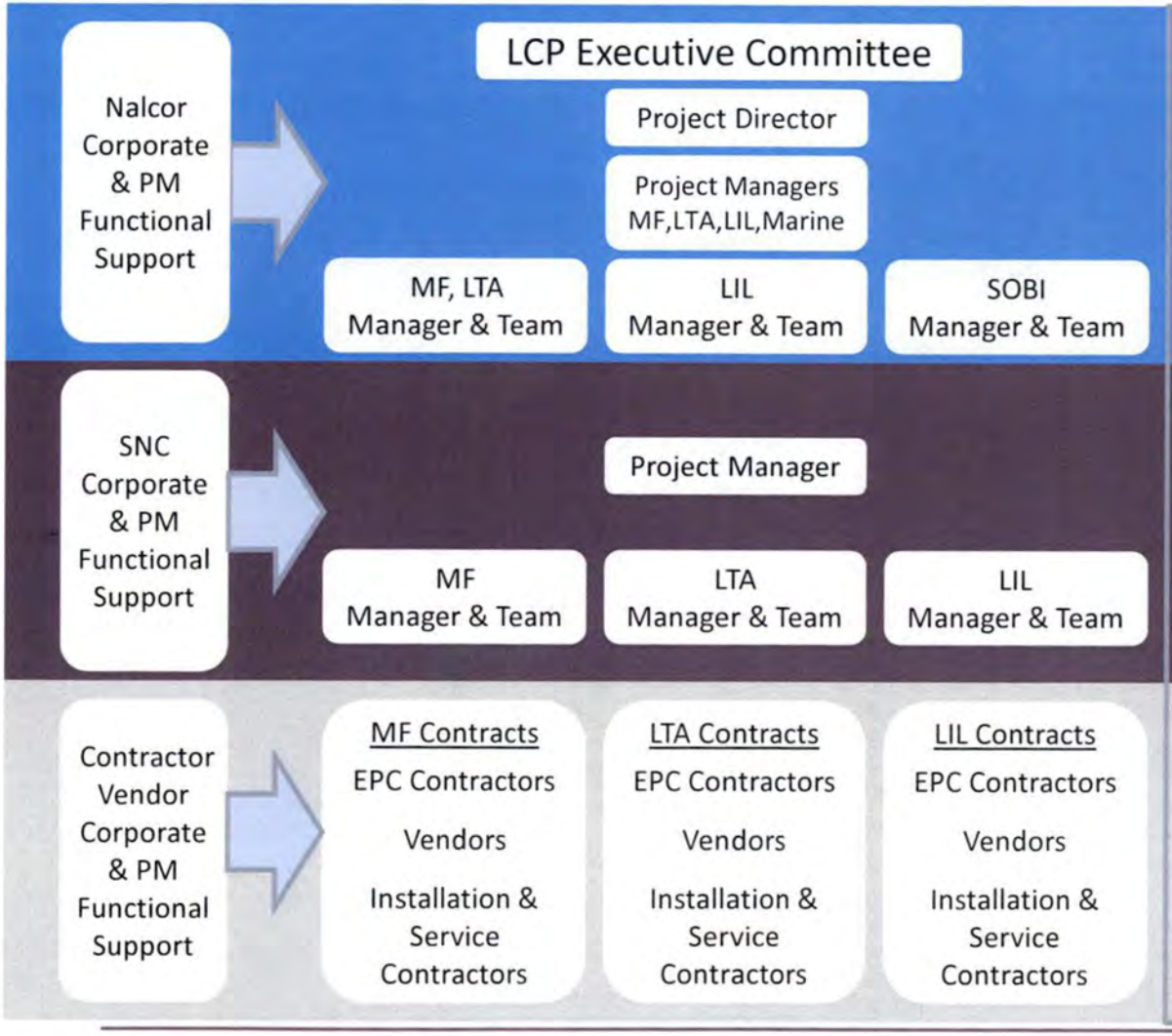
Organizational Structure



Nalcor provides:

+ Strong Owner direction, guidance & leadership
+ Overall integration
+ 35 years operational experience
+ 30 years front end loading, PM best practices
+ Responsibility for finance, aboriginal, regulatory, insurance, environmental approvals, Shareholder, marine works, governance and decision making

SNC provides:

+ World class track record of hydro-electric and transmission project execution
+ Extensive corporate resources to call on
+ Strong corporate support for Projects
+ Commitment to Project Excellence

Contractors & Vendors provide:

+ Only top quality, reputable Tier 1's will be selected to bid
+ Only those with sound financial basis will be chosen
+ Compliance with contract format, terms and conditions

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Optimizing Project Delivery

Strategic Objectives

Balancing absolute cost against cost certainty, while…

- Achieving the required project quality
- Optimizing the project schedule
- Minimizing overall cost and schedule risk
- Achieving optimum and appropriate risk allocation
- Meeting benefits and First Nations obligations

Decision 1: Delivery Model = EPCM

- Market not amenable to single EPC, but to smaller EPC
- Skillsets required vary across the 3 SPVs
- Significant schedule and cost advantage (~8 months, 25% - 30% premium)
- Offers enhanced Design Integrity & Performance
- 3 separate SPV's need individual, distinct delivery representation,
- Overarching system design and management needed across the SPV's to ensure total system delivery

Decision 2: Packaging Strategy

- Each SPV requires varied skill sets – need to align to bidder resources and capacities
- Market desires are clear for most major packages
- Optimize risk allocation
- Maximizes market competition
- Heavily focusing on EPC, lump sums, and fixed unit price
- Reflect IBA Obligations

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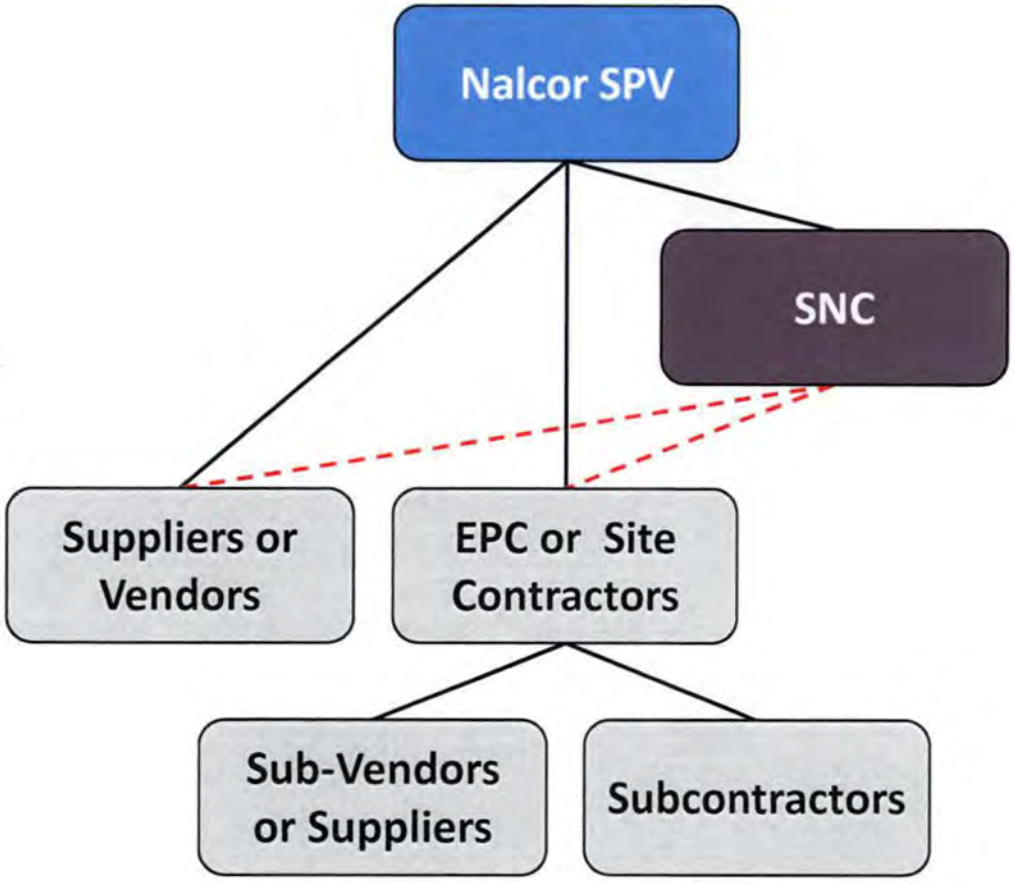
Typical SPV Delivery Structure



SNC performs detailed engineering, procurement and construction management services

Agreements are between Nalcor SPV and Contractors

The EPCM Consultant acts as representative for the Nalcor SPV in both procurement and construction management activities

Note: The above is not applicable for SOBI Crossing, where Nalcor provides all procurement and construction management for this specialized scope.

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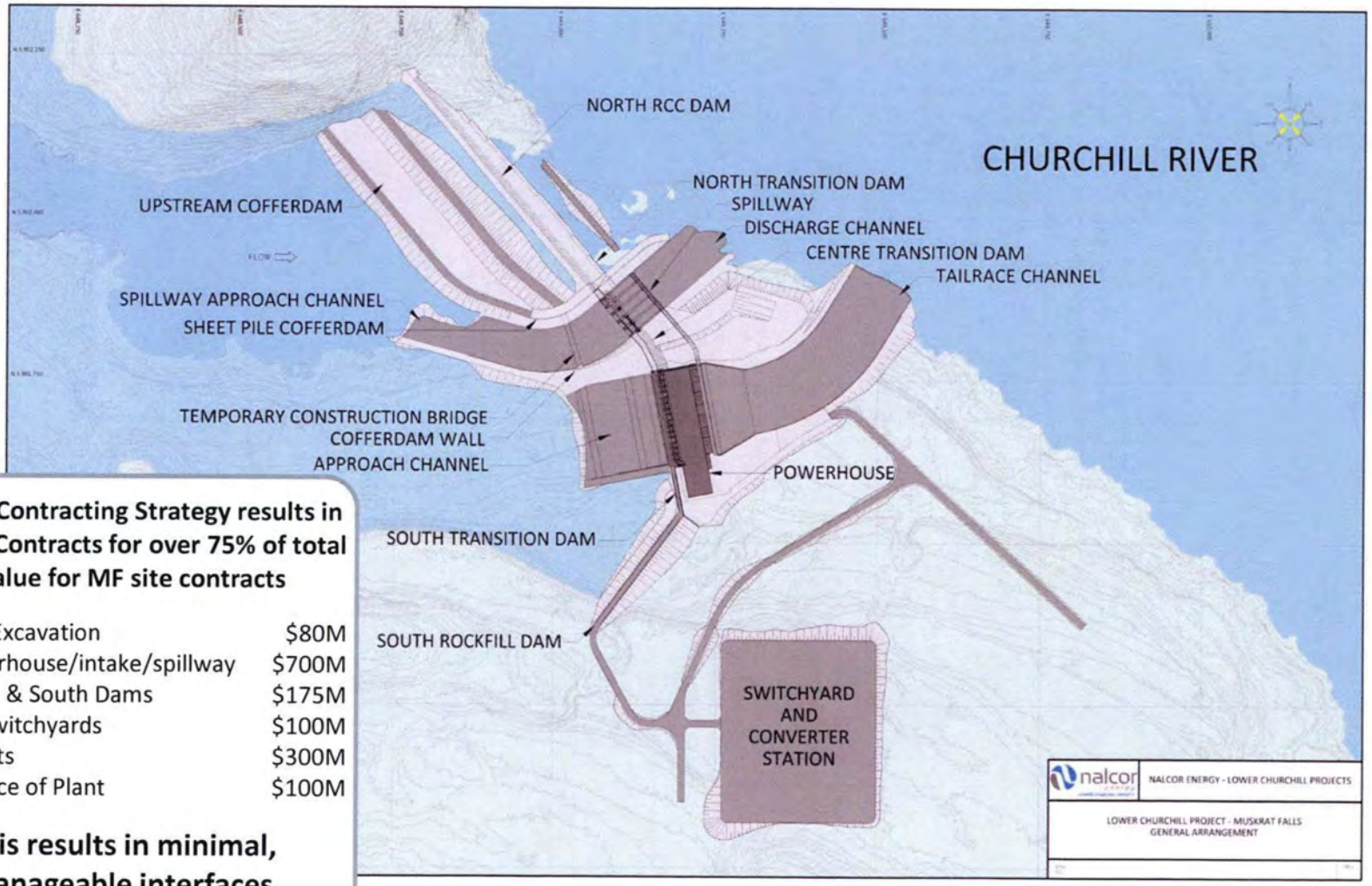
MF Plant Layout



The MF Contracting Strategy results in 6 major Contracts for over 75% of total $ value for MF site contracts

1.	Bulk Excavation	$80M
2.	Powerhouse/intake/spillway	$700M
3.	North & South Dams	$175M
4.	MF Switchyards	$100M
5.	TG sets	$300M
6.	Balance of Plant	$100M

This results in minimal, manageable interfaces

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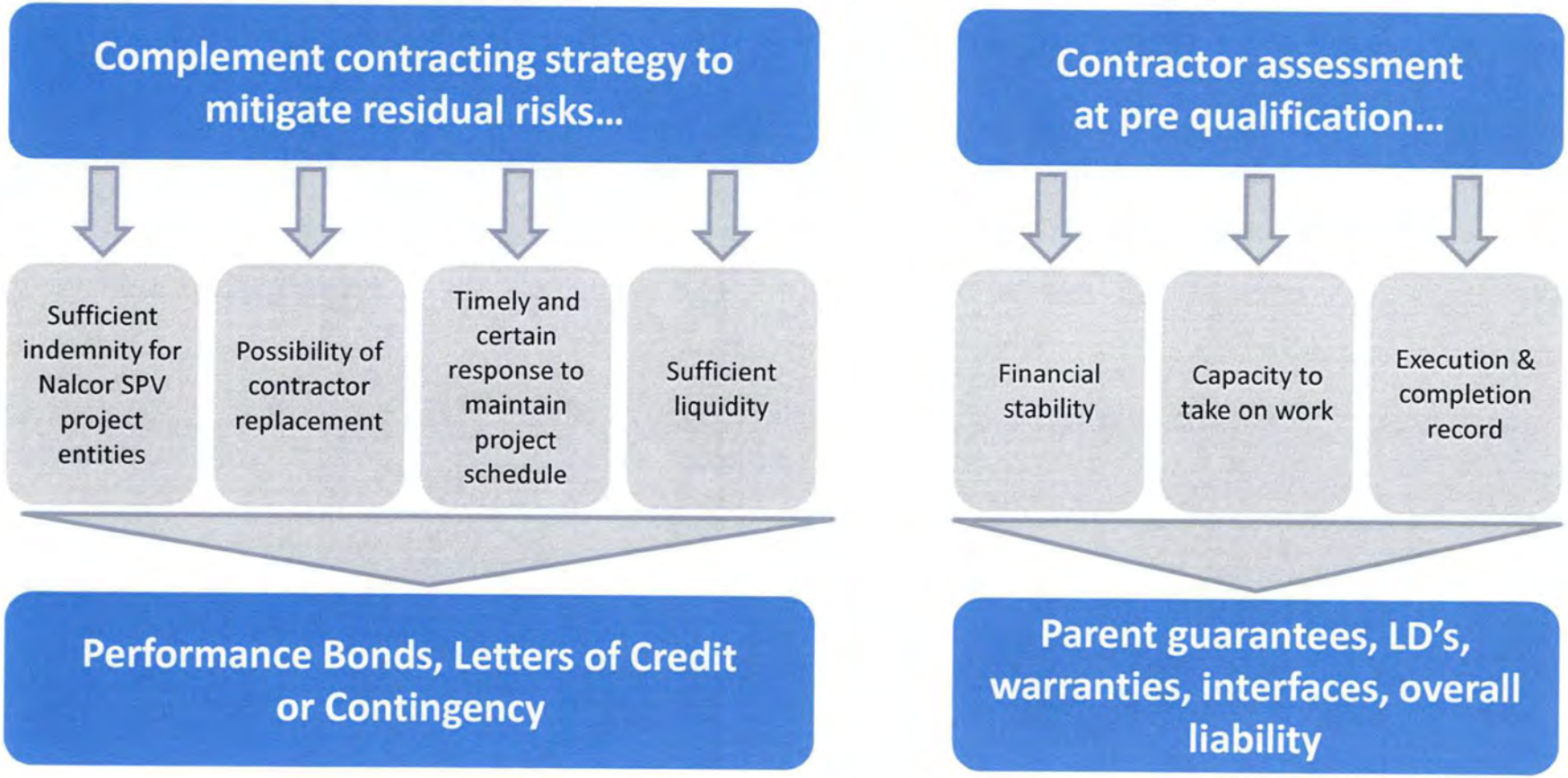
Performance Security Strategy



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Insurance Strategy

Insurance Strategy Highlights

- Owner Insurance Program
- One program serving three Nalcor project components
  - Cost and administrative efficiency
  - Each project entity full named insured under the policy
- Phased coverage as projects progress, starting in 2012

Phase I - Early Works Placement (2012-2013)

- Builders Risk
- Base Wrap-Up Liability
- Base Pollution Liability

Phase II - Full Policy Placement (2013-2017)

- Builders Risk
- Delayed Start-Up ("DSU") (optional LIL/LTA)
- Additional Wrap-Up Liability
- Additional Pollution Liability
- Marine Builders Risk (SOBI)
- Marine DSU (optional SOBI)

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Insurance Approach

The insurance strategy for the Projects will be implemented in co-operation with Nalcor's insurance advisor, AON, as outlined below:

Placement Phase	Policy Type	MF	LTA	LIL
Early Works	Builders Risk	Yes	As required	As required (HDD only)
	Base Wrap-Up Liability	Early works only	Base Limits 2012-17	Base Limits 2012-17
	Base Pollution Liability	Early works only	Base Limits 2012-17	Base Limits 2012-17
Full Policy	Full Builders Risk	Yes - All	Yes - with sublimit on towers/lines	Yes - with sublimit on towers/lines (excludes SOBI marine)
	Additional Wrap-Up Liability	Yes - All	Yes	Yes
	Additional Pollution Liability	Yes - All	Yes	Yes
	Marine Builders Risk	N/A	N/A	SOBI only
	Delayed Start-Up	To be determined based on cost	Optional	Optional
	Marine Delayed Start-Up	N/A	N/A	Optional

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Ensuring Resource Availability

Strategic Objectives	Key Enablers	Specific Tactics
Predictable labour costs **Avoid Labour Disruptions** **Acquire Skilled Labour** **Enhance Labour Productivity**	**Project Labour Agreement** **Special Project Order** **Labour Acquisition Plan**	**Productivity** • Productivity Action Plan established • Best in class labour agreement language • Right union for right job • Ensuring large contractor pool and supervision • No strike, no lock out **Acquisition Plan** • Labour requirements & constraints understood • Multiple unions with name hire provisions • Key skilled training ongoing • Atlantic Canada focused • Leverage large hydro trade in Quebec • Attractive rates, camp, turn around, etc. • Temporary foreign workers option **Cost** • Estimates based upon current NL mega-projects labour agreements plus escalation • Labour cost variables benchmarked • Costs fixed for the duration

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Proven Technology

Proven technology, no serial #1's and no scale-ups ensure operational integrity

MF	LTA	LIL
• Low-head, no penstocks concrete powerhouse founded on Canadian Shield • Proven, model tested Kaplan turbines well within flow and head range • Design philosophies based on over 40 years of hydro-electric and transmission engineering, construction and operations • Conservative efficiency targets supported by equipment redundancy • Core Nalcor technology	• Conventional AC technology • Extension of existing Labrador transmission system • Core Nalcor capability – existing lines up to 735 kv	• LCC HVDC technology used in Canada for 40+ years • Mass impregnated submarine cables • SOBI cable protection methods proven offshore east coast • Typical HVdc overland transmission • Standard HDD technology well with the boundary of design for size and distance

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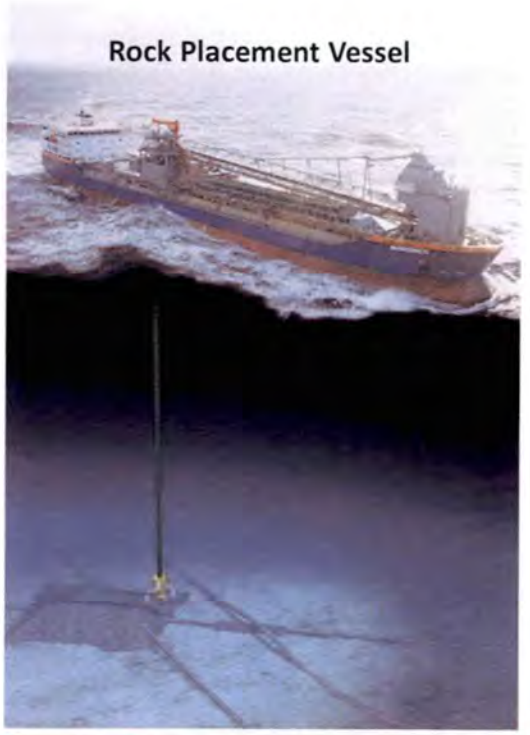
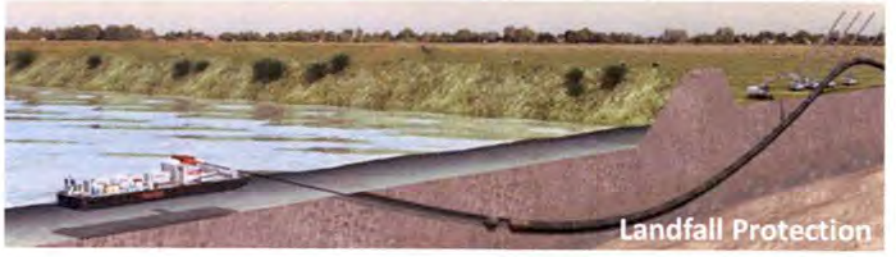
SOBI Crossing - A "Deeper" Look

Selected solution for the SOBI cable crossing builds upon team's extensive experience in the design and installation of subsea infrastructure in harsh environments combined with learnings from global cable projects.

- Each of the 3 submarine cables will have a dedicated HDD conduit to protect the cable from shore and pack ice at the landfall points
- The conduits will take each cable to a water depth of between 60 m to 80 m, thus avoiding iceberg scour
- The cables will then be laid on the seabed and each protected with a separate rock berm which will protect against fishing gear and dropped objects





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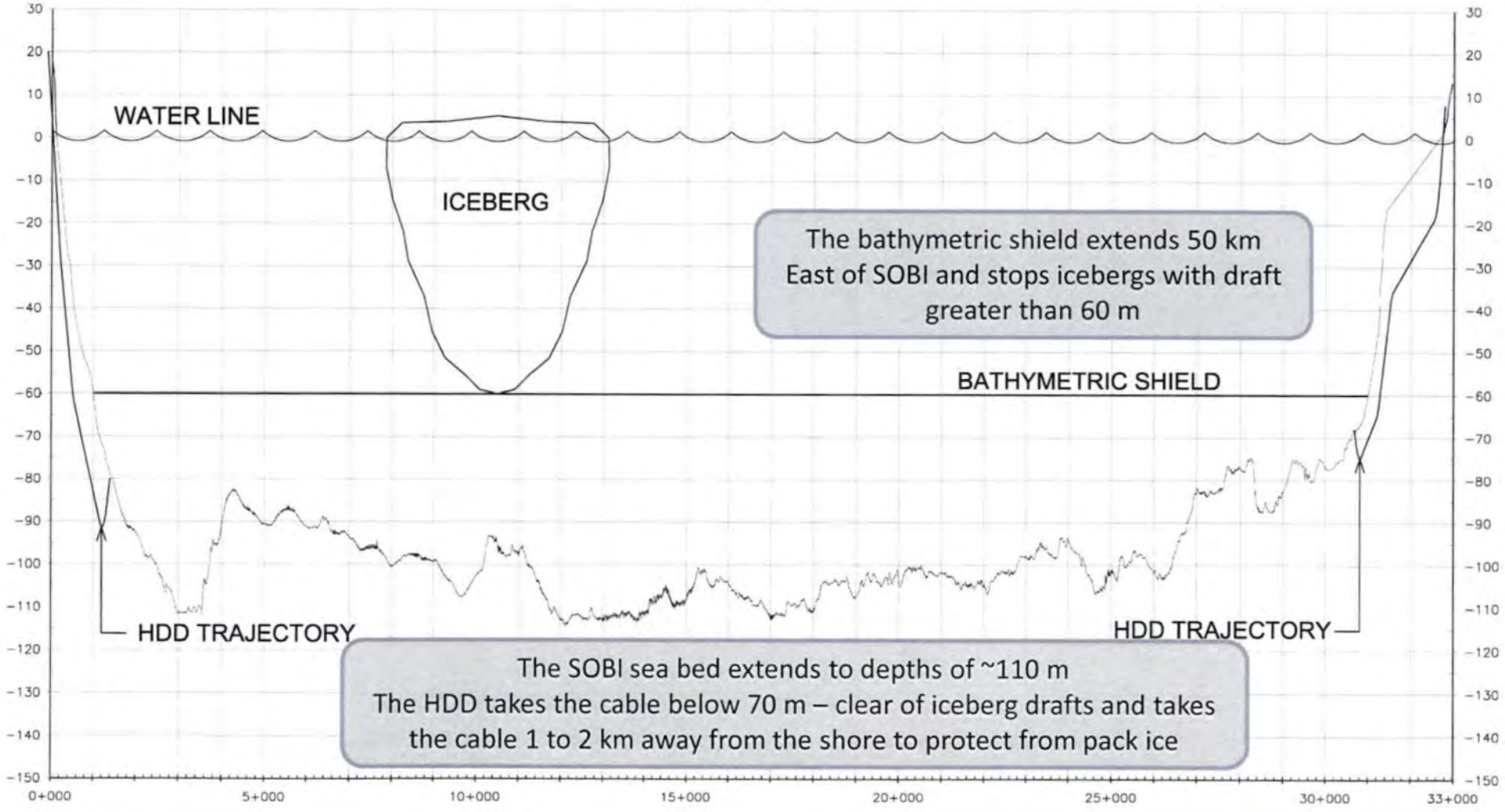
SOBI - Iceberg and Pack Ice Protection



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Strategic De-risking

Risk management is achieved via disciplined management process

Achieved

- Selection of robust LCC HVdc technology with overload capacity
- SOBI consists of 3 cables including a redundant or spare cable each in separate seabed routes
- Secured SNC, a world class EPCM contractor
- Extensive geotechnical baseline
- IBA and land claims with Innu Nation
- Pilot program for Horizontal Directional Drilling ("HDD") to confirm production rates prior to bid
- Turbine model efficiency testing program in order to guarantee turbine efficiency and power output

Going Forward

- Using geotechnical results from bulk excavation to achieve firmer prices on powerhouse contract
- Physical model testing to confirm MF plant layout and hydraulics
- Contracting that optimizes competition and synergies
- Early award of bulk excavation contract to protect schedule
- Confirming long-lead deliveries and prices
- Cost certainty through EPC/EPCI and fixed unit price contracts
- Project labour agreements
- System engineering/integration focus

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Maintaining Control During Execution

- We have explained how we have established our performance baseline (cost; schedule; de-risking)
- We have also explained how our organization is structured to follow through with the project management best practices, cost, schedule, risk and management of change
- During project execution, we will be exercising control by analysis of cost and schedule trends, progress reports and taking corrective actions as required to keep us on track

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Project Structure & Key Agreements

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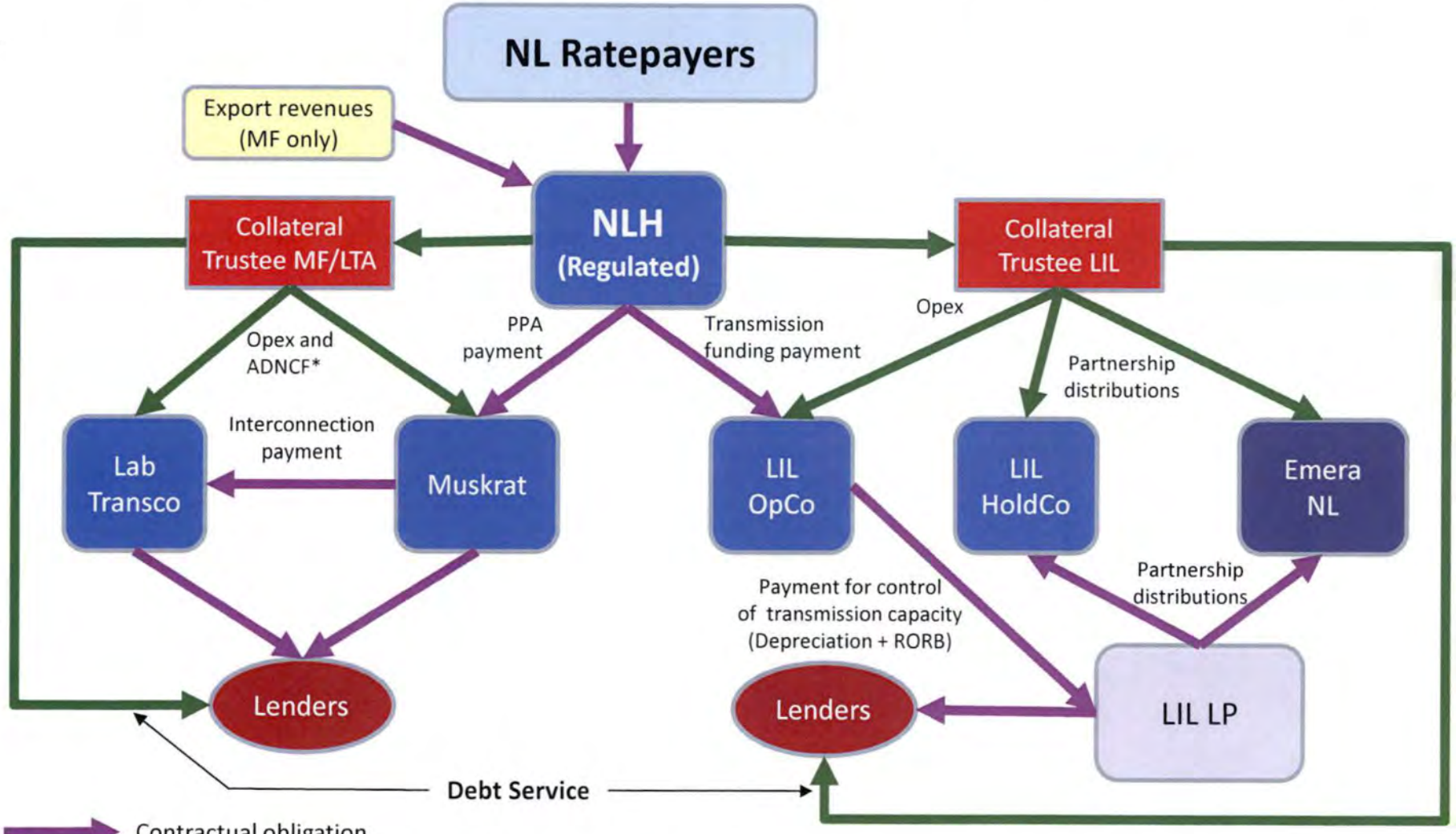
Structure – Key Operating Cash Flows



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Muskrat-NLH PPA - Base Block

Parameter	NLH Base Block Design

Pricing mechanism	• Escalating supply price in dollars per MWh
	  ○ Applied to defined energy requirement over PPA term
	  ○ Pricing segmented into two portions – capital and operating
	• Capital portion recovers all capital and financing costs, escalates at a fixed 2% annually
	• Operating and maintenance costs are passed through to NLH as incurred – regulatory lag risk, if any, borne by NLH

Risk allocation	• Base Block payment is unaffected by variations in energy delivered that may be caused by changes in hydrology or operations • If Muskrat does not deliver Base Block as scheduled, Muskrat has an obligation to keep NLH economically whole • Lenders' debt service requirements have absolute priority

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Muskrat-NLH PPA - Base Block (continued)

Factor	NLH	Muskrat
Rights	• Receive Base Block requirements (seasonality reflected) • Be kept economically whole in case of non-delivery of Base Block as scheduled	• Receive Base Block payments via NLH PPA
Obligations	• Make Base Block payments	• Provide Base Block requirements; or • Keep NLH economically whole
Benefits	• Ratepayer value per Island Supply business case	• Firm minimum payments not subject to changes in hydrology and operations
Resources	• Cost recovery through Government Assurance • Access to external markets to buy and sell power as required	• "Wet" years to offset "dry" years • Based on our analysis, over time, there develops a significant margin between debt service and funds available for debt service

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Key Agreements

Agreement	Key Provisions
Muskrat - NLH PPA	• NLH purchases all Muskrat output excluding NS Block • Base Block: based on 2% escalating supply price and pre-determined volume; take-or-pay, with minimum payment obligation; recovers all MF capital, operating & maintenance and financing costs (including debt service costs and defined equity IRR) plus any applicable taxes and fees • Costs recovered through Base Block also include 100% of costs relating to the LTA interconnection agreement (see below) • Additional Blocks (Supplemental + Residual): priced at market, whether consumed on the Island or exported via Energy Marketing • Variations in hydrology will not impact debt service capability of Base Block revenues • Initial term of 50 years
Lab Transco - Muskrat Interconnection Agreement	• Based on 2% escalating supply price ($/MWh of Base Block); recovers all LTA capital, operating & maintenance and financing costs (including debt service costs and defined equity IRR) plus any applicable taxes and fees • Initial term of 50 years

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Key Agreements (continued)

Agreement	Key Provisions
LIL OpCo - NLH Transmission Funding Agreement	• Facilitates NLH obtaining long term firm LIL transmission access • Recovers all LIL capital, operating & maintenance and financing costs (including debt service costs and regulated ROE) plus any applicable taxes and fees • LIL earns same regulated ROE as other NL utilities; however, its ROE is subject to a floor through the Government Assurance • O&M responsibility resides with LIL Opco, not LIL LP borrowing entity • 50 year initial term
LIL OpCo - LIL LP Transmission System Asset Lease	• Conveys transmission capacity operating control to LIL OpCo • Consideration paid by LIL OpCo equals LIL LP's capital costs (depreciation) plus Return on Rate Base (weighted average debt interest cost plus regulated ROE) • 50 year initial term

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Key Agreements (continued)

Agreement	Key Provisions
MF/LTA and LIL Collateral Trustee Agreements	• Cash flows directly from NLH to lender-approved trustees and are disbursed according to an agreed upon waterfall

Project entities' revenue requirements ensured through the Government Assurance

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Financing Strategy

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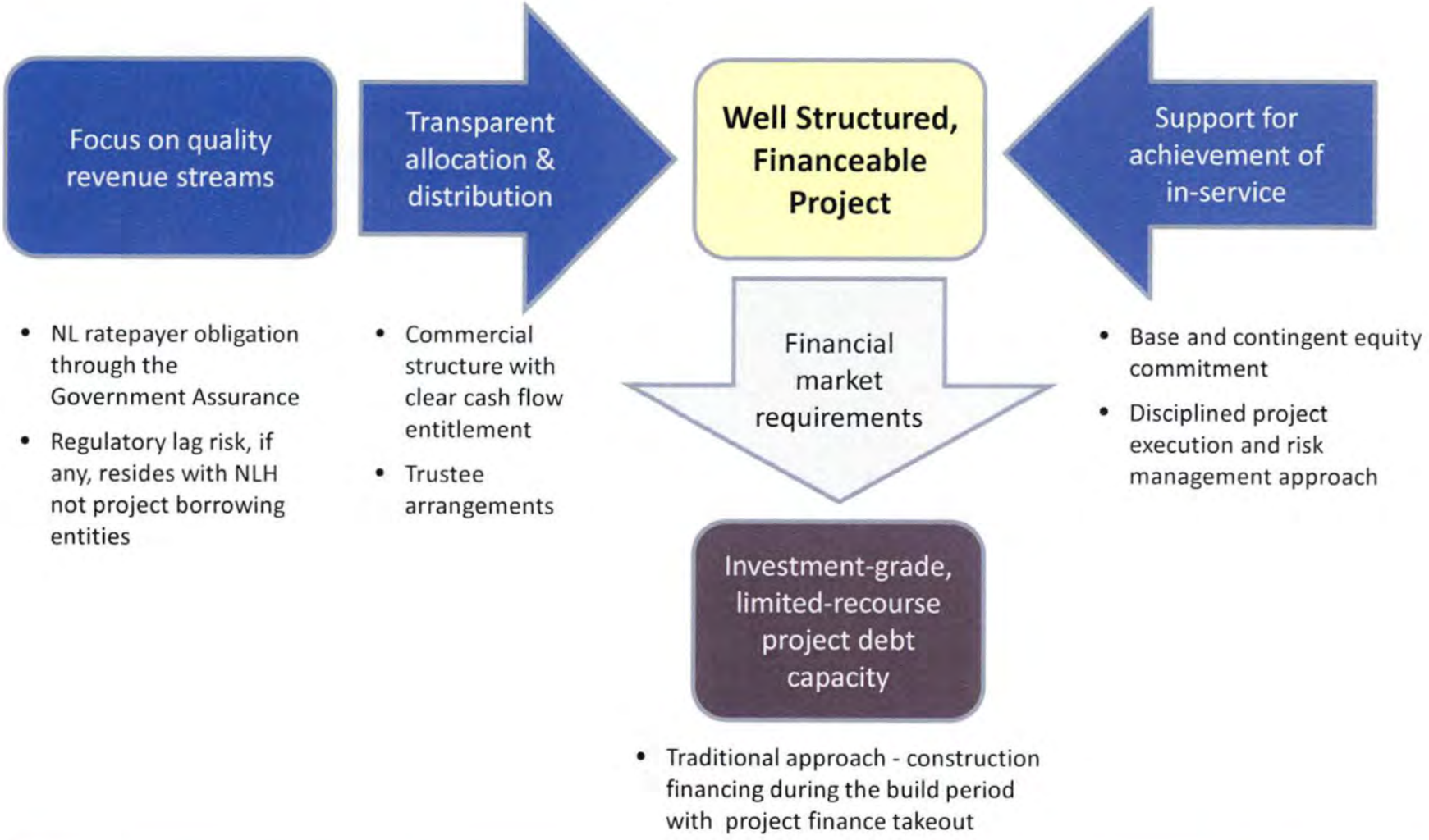
Financing Strategy



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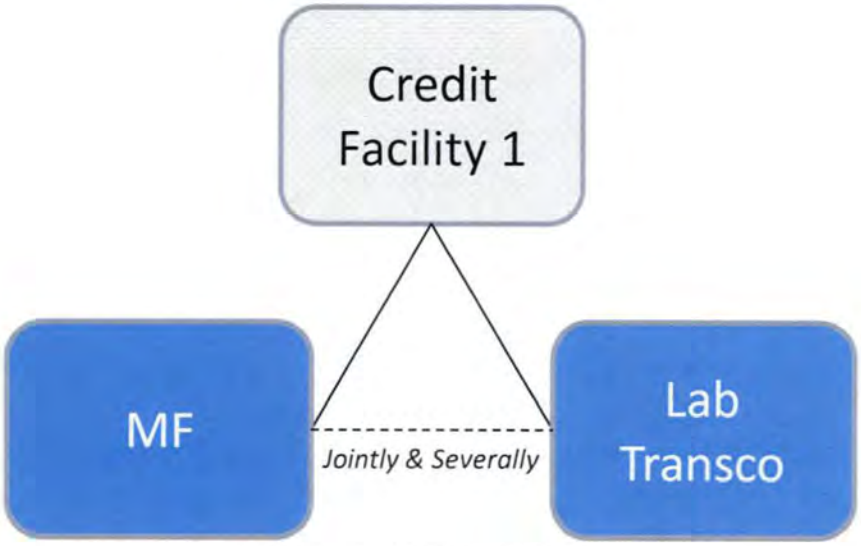
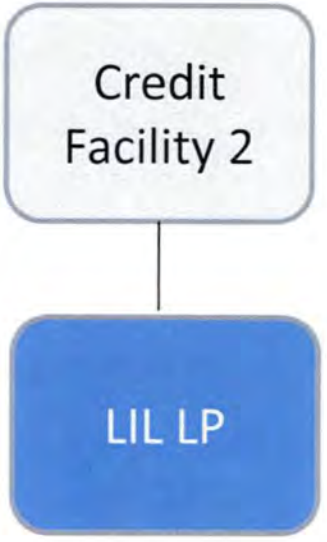
Proposed Debt Financing





- Debt = $1.76B
- D/E ratio = 60:40
- Min DSCR = 2.01
- Avg DSCR = 2.64

Combined

Debt = $1.94B

D/E ratio = 58:42

Min DSCR = 1.95

Avg DSCR = 2.69

- Debt = $0.17B
- D/E ratio = 42:58
- Min DSCR = 1.30
- Avg DSCR = 3.20

- Debt = $2.01B
- D/E ratio = 75:25
- Min DSCR = 1.37
- Avg DSCR = 1.41

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Sources and Uses

($ millions)	MF	LTA	LIL	Total
Sources:				
Equity invested before Financial Close	980	17	303	1,300
Equity Post Financial Close	196	228	195	619
AFUDC* on Equity	N/A	N/A	174	174
Debt	1,764	177	2,014	3,955
Revenue before in-service/debt amortization	433	41	0	475
Total Sources	**3,372**	**464**	**2,686**	**6,522**
Uses:				
Engineering, procurement and construction expenditures	2,473	396	2,060	4,929
Interest During Construction/AFUDC* & Fees	613	57	536	1,206
Reserves pre-funded	138	7	90	235
Operating costs, Innu payments and other	148	4	0	152
Total Uses	**3,372**	**464**	**2,686**	**6,522**

***AFUDC** – Allowance for Funds Used During Construction

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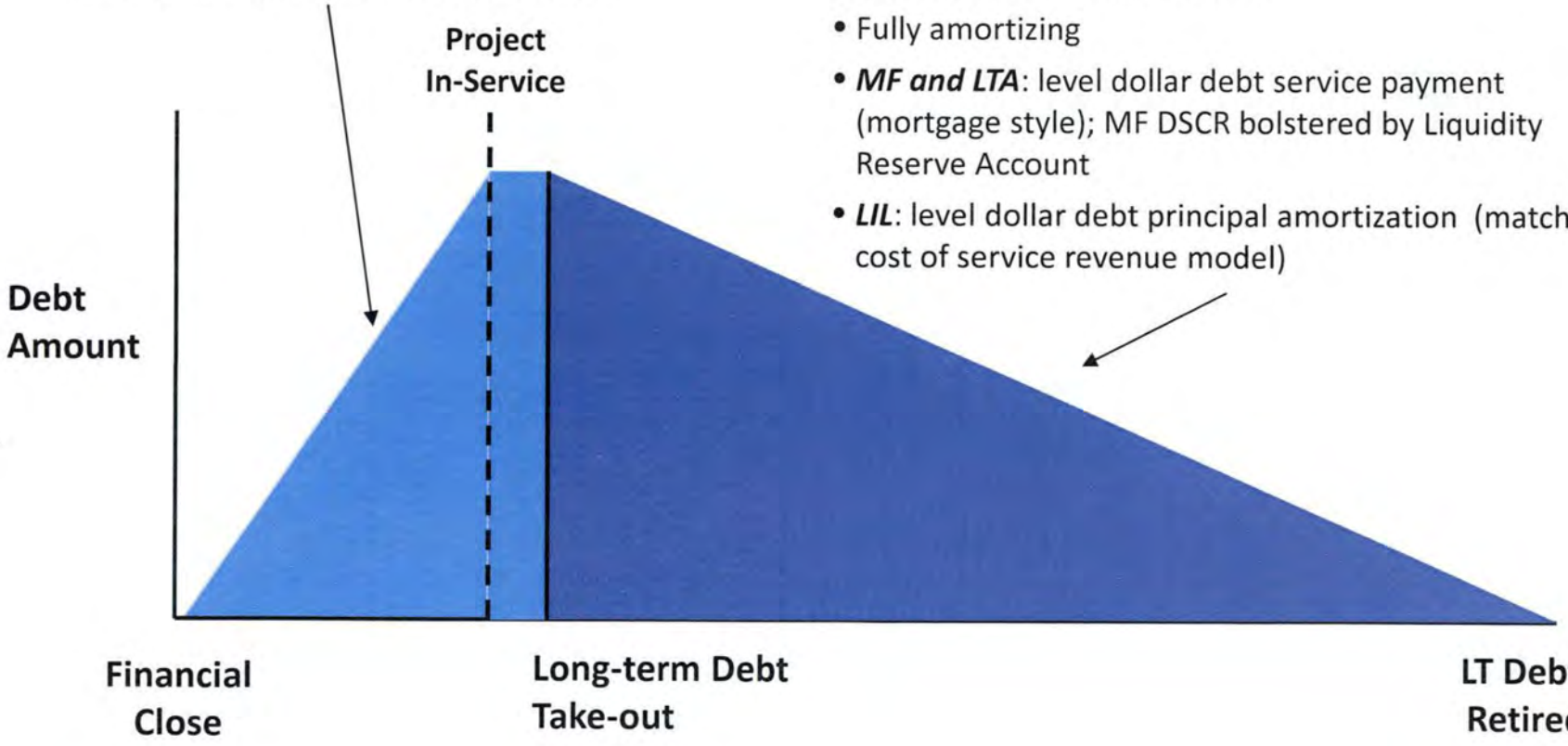
Proposed Approach to Debt Financing

(Not to scale)

Bank, commercial paper and/or vendor financing during the construction period

Long-term take-out at or up to two years after commencement of operations:

- Fully amortizing
- ***MF and LTA***: level dollar debt service payment (mortgage style); MF DSCR bolstered by Liquidity Reserve Account
- ***LIL***: level dollar debt principal amortization (matches cost of service revenue model)



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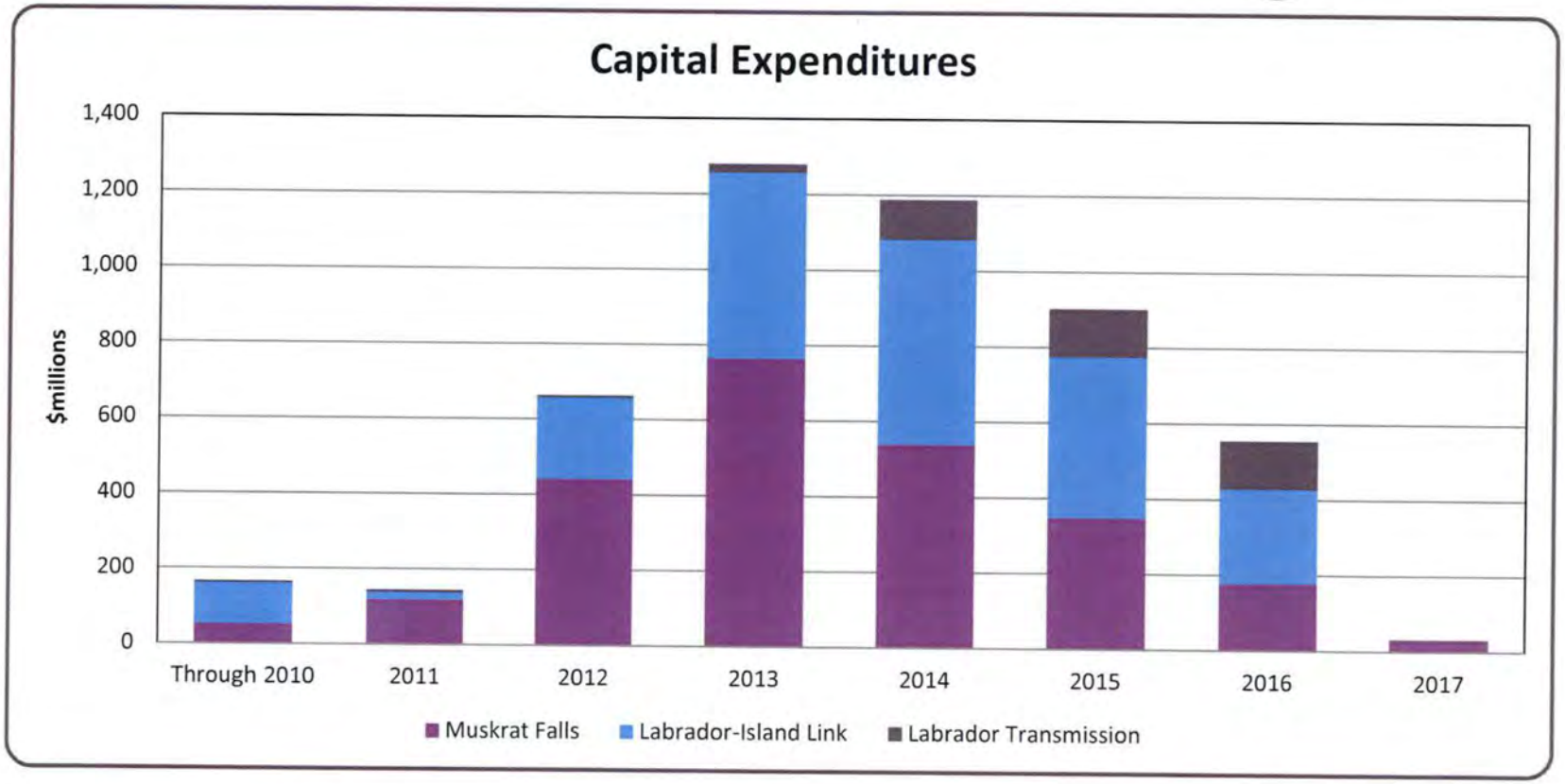
Capital Expenditures & Funding



Cumulative Debt & Equity ($ millions)

Equity	**$171**	**$324**	**$1,003**	**$1,474**	**$1,636**	**$1,846**	**$2,054**	**$2,093**
Debt	**$0**	**$0**	**$0**	**$1,008**	**$2,210**	**$3,152**	**$3,868**	**$3,955**

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Key Risks & Mitigation

Risk	Description	Mitigation
Construction Delays (All Projects)	Potential delays to critical path activities resulting in a delay to First or Full Power, caused by: • Physical damage event(s) • Force majeure event(s) • Contractor or equipment failure in performance or default	• Delayed Start-Up insurance in the case of physical damage events (where cost effective) • Only Tier 1 contractors and suppliers will be chosen based on detailed pre-qualification process and their performance will be monitored in the event replacement required • 1 year float in SOBI crossing schedule • SOBI Shoreline Protection pilot HDD program and seabed survey program underway • LTA delay remote possibility - conventional AC transmission along existing line corridors • Early issuance of SOBI subsea cable and turbine & generator RFP's
Construction Cost Overruns (All Projects)	Cost overruns resulting from delay risks (noted above) or the unfavorable impact of labour disruptions or productivity issues	• Strategic de-risking and contracting strategy facilitates realistic cost estimates and contractor performance • High quality camp, competitive rates and attractive rotation cycles closer to NL – there are approximately 16,000 NL workers commuting to Western Canada on rotation • Special Project Order and Labour Agreement will avoid strikes, lockouts and disruptions and will be designed to address productivity

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Key Risks & Mitigation (continued)

Risk	Description	Mitigation
Geotechnical Risk (MF and LIL)	Subsurface conditions materially worse than assumed, negatively impact project construction or operation	• Less potential cost impact due to 45 m high x 700 m wide dam at MF • Extensive geotechnical studies already performed at MF site over the past 20+ years - design and engineering modifications already made to address potential risks • Extensive geotechnical studies already performed for SOBI sea bed and HDD - design and engineering modifications already made to address potential risks
Environmental & Aboriginal (All Projects)	Environmental or aboriginal issues negatively impact the Projects	• MF/LTA EA on track for release in Q4-2011 • Innu IBA already ratified with signing ceremony in Q4-2011 • LIL EA release targeted for Q2-2012 to coincide with Sanction • Nalcor working closely with NL Government and aboriginal groups to identify labour requirements and align with training and education courses to meet demands
Hydrology (MF)	Decreased water flow results in lower generation	• Water management agreement • 50 years of hydrology studies • Curtailment of non-firm blocks • Variations in hydrology will not impact debt service capability of Base Block revenues

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Key Risks & Mitigation (continued)

Risk	Description	Mitigation
Interest Rate Risk (All Projects)	Fluctuations in interest rates negatively impacting debt service	• Full recovery through arrangements with NLH
Operating Risks (All Projects)	Natural hazards or equipment failures could result in business interruptions, liability for damage or regulatory action for non-compliance with laws	• Business interruption, property liability and D&O insurance • MF has 4 generating units • Installed spare cable across SOBI which can be quickly put in service • New equipment based on proven technology • NLH's 40+ years of operating experience
Inflation Risk (All Projects)	Increases or decreases in inflation may adversely impact operating costs	• Full recovery through arrangements with NLH
Regulatory Risk (All Projects)	Changes in government regulations materially affect the operation of MF/LTA	• Nalcor owned by Province of NL – strong support for the Projects

Government Assurance and Contingent Equity effectively "backstop" the mitigants described previously

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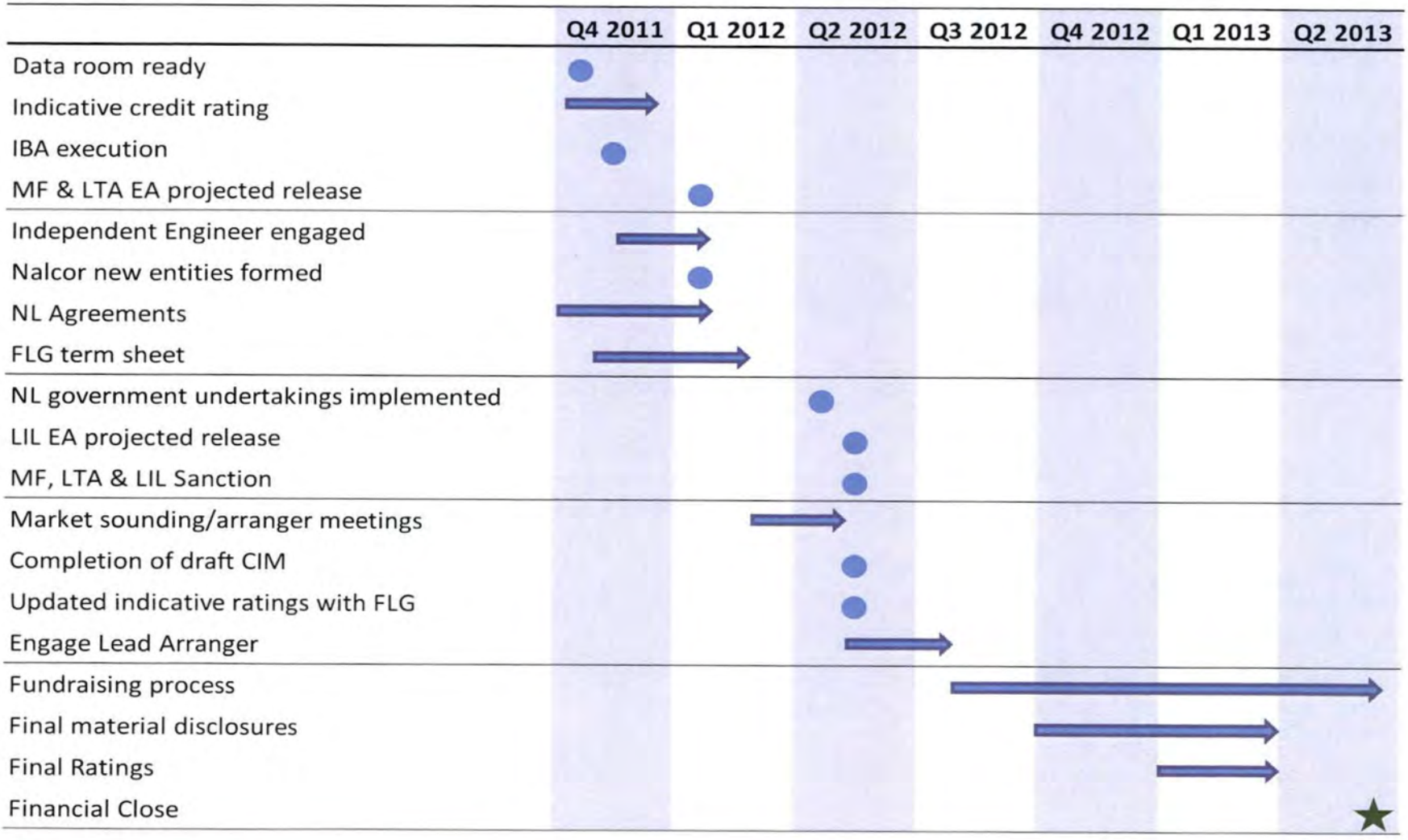
The Path to Financial Close



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Financial Metrics & Debt Service

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Financial Model Assumptions

Assumption	Base Case			Stress Case		
	MF	LTA	LIL	MF	LTA	LIL
Capital cost	DG2 $2.5 billion	DG2 $0.4 billion	DG2 $2.1 billion	DG2 +15% $2.8 billion	DG2 +15% $0.5 billion	DG2 +15% $2.4 billion
Operating cost	DG2 estimates			DG2 estimates +30%		
Interest rate	7.3%			7.8%		
Financing Fees (Construction phase)	1.70% arrangement 0.75% stand-by			1.70% arrangement 0.75% stand-by		
Financing Fees (Bond take-out)	2.50% arrangement			2.50% arrangement		
Hydrology (MF)	4.9 TWh per annum (average power)			First 10 years - 4.5 TWh per annum (firm power)		
Export sales (MF)	50% discount on PIRA[(1)]			No export revenue		
Regulated ROE (LIL)	9.5% (long-run rate)			8.4% (floor/current)		

[(1)] PIRA Long Term Forecast (Oct 2010) for 2010-2025; 2% thereafter

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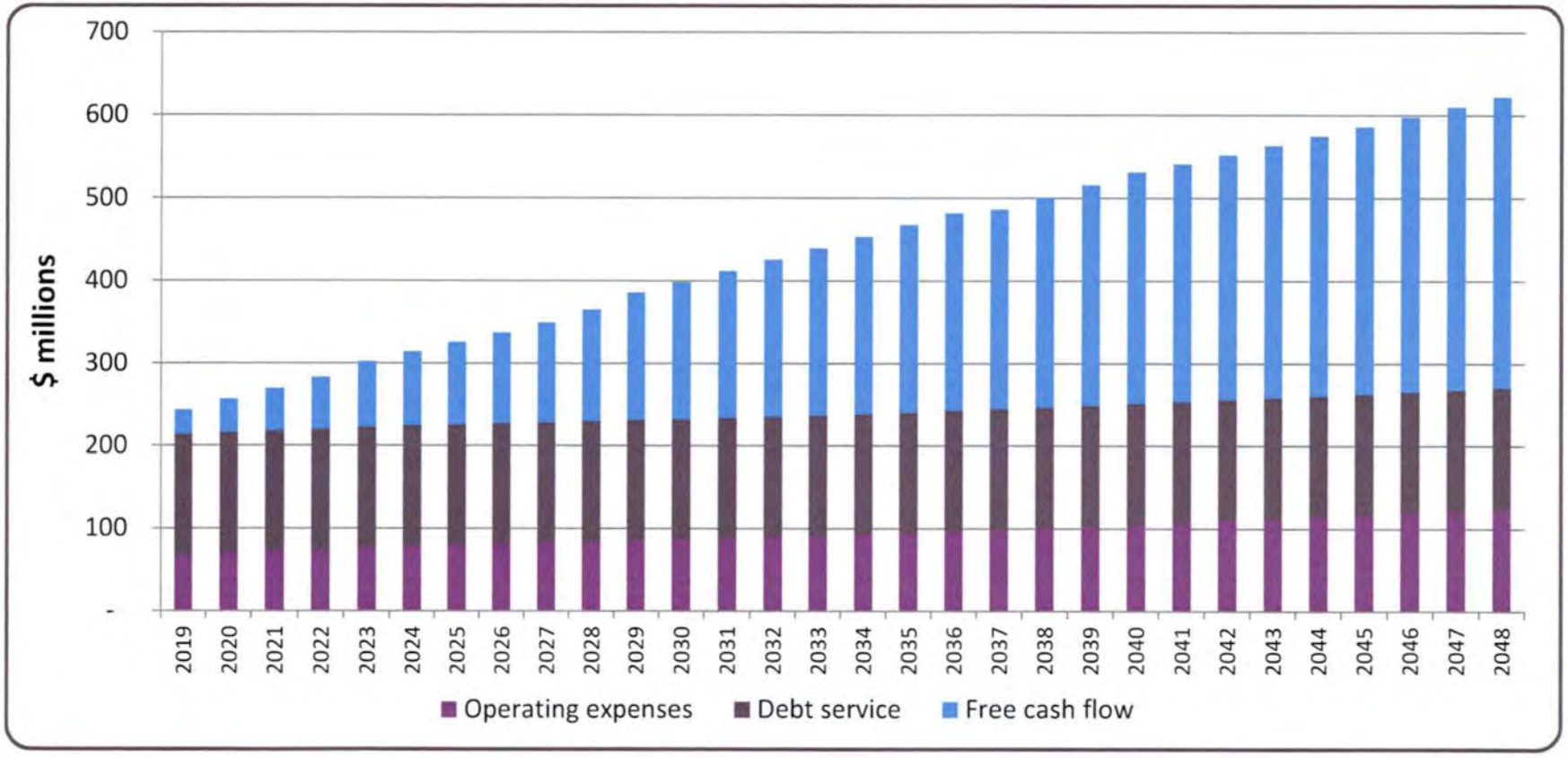
MF Revenue Profile - Base Case



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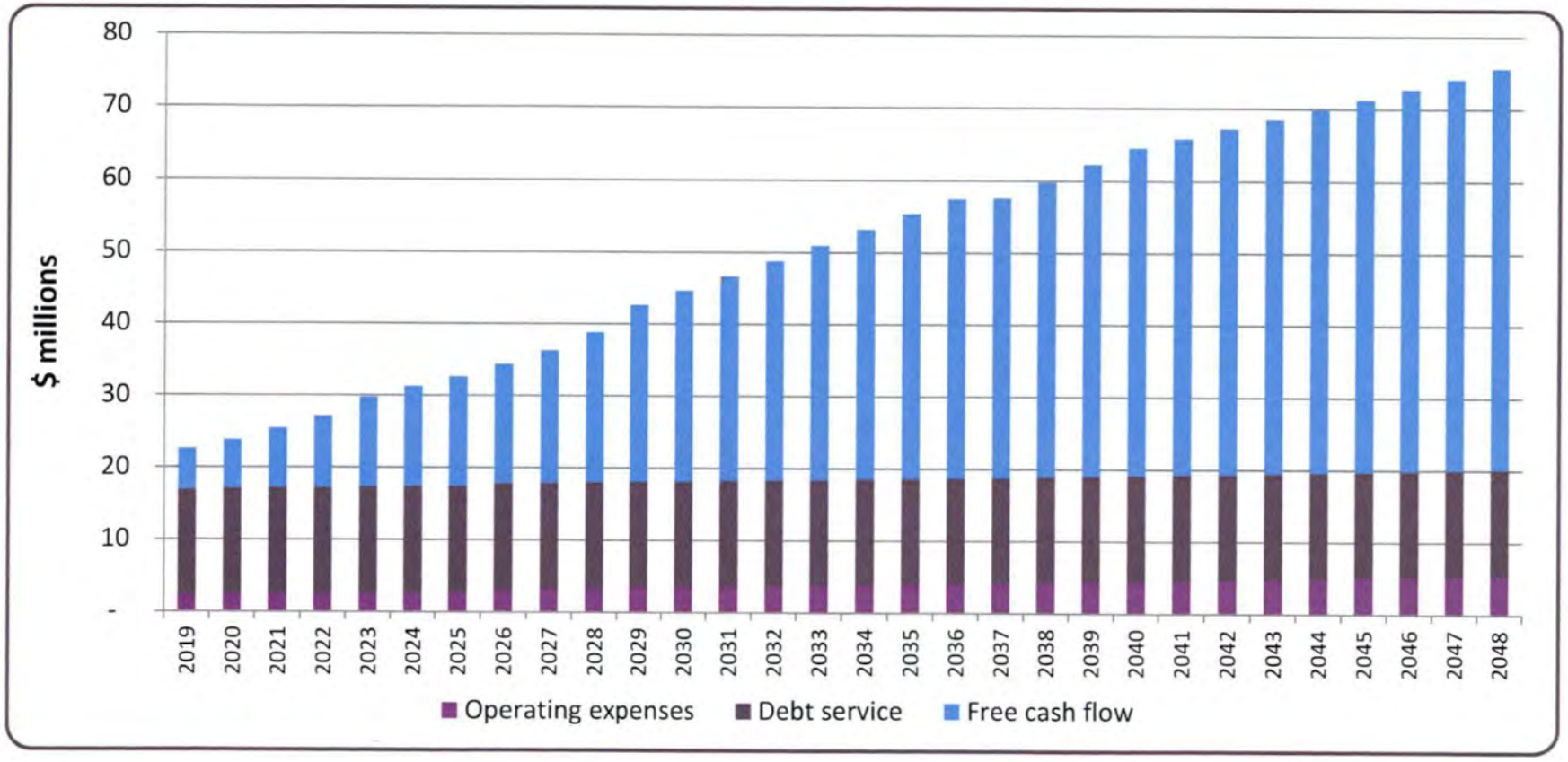
LTA Revenue Profile - Base Case



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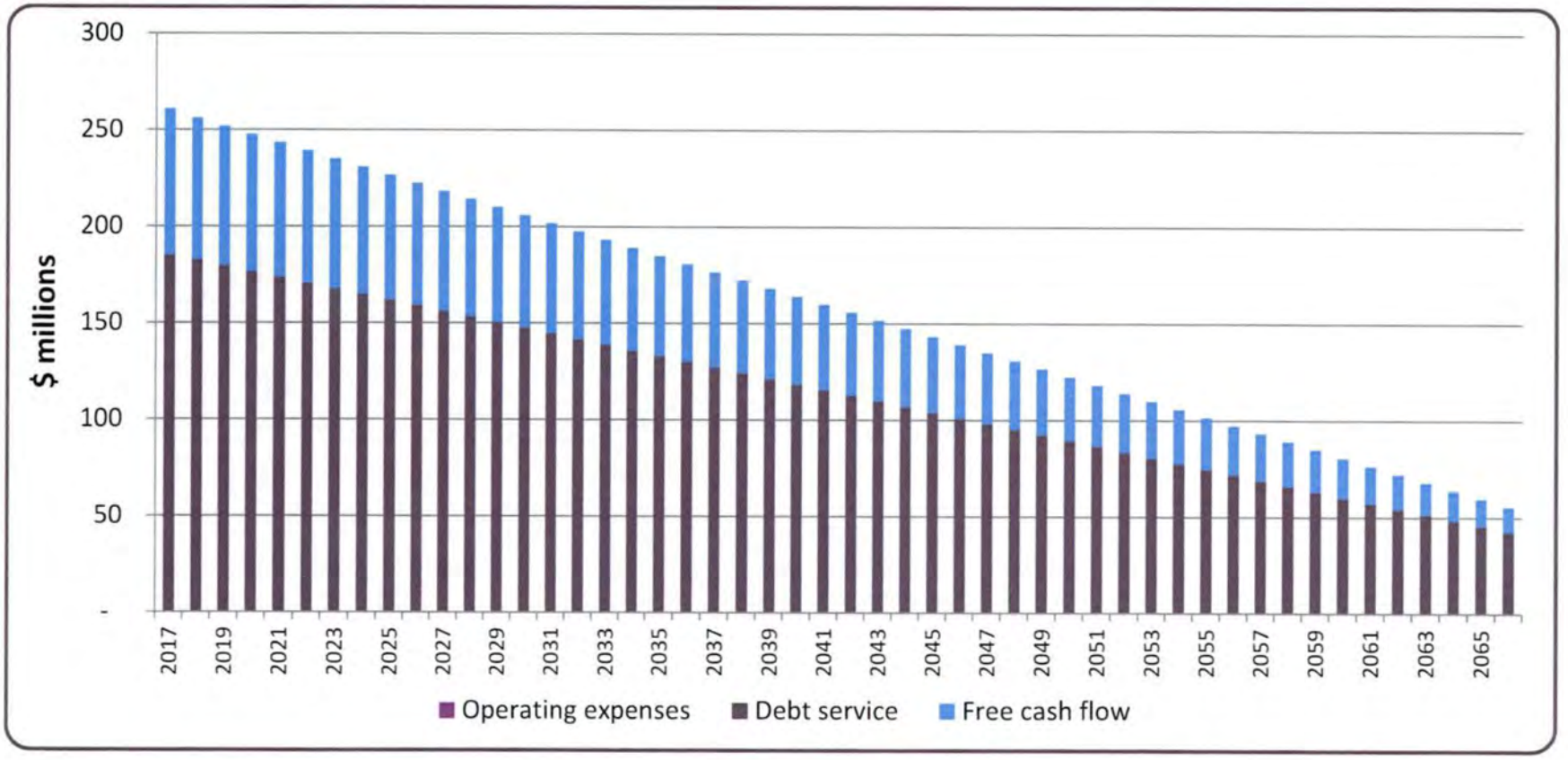
LIL Revenue Profile - Base Case



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Debt Service

Nalcor's proposed financial structure provides for robust debt service in both base and stress case conditions

$ millions (except ratios)

Case	Capex[1]	Debt	Equity	D/E ratio	IRR/ROE[2]	Min DSCR	Avg DSCR
Muskrat Falls							
DG2 Base Case	2,473	1,764	1,176	60:40	$8.8\%_{IRR}$	2.01	2.64
Stress Case	2,841	1,983	1,322	60:40	$8.1\%_{IRR}$	1.43	2.34
Labrador Transmission Assets							
DG2 Base Case	396	177	245	42:58	$8.4\%_{IRR}$	1.30	3.20
Stress Case	453	197	287	41:59	$8.4\%_{IRR}$	1.30	3.20
Labrador-Island Link							
DG2 Base Case	2,060	2,014	671	75:25Reg	9.5%ROE	1.37	1.41
Stress Case	2,362	2,311	770	75:25Reg	$8.4\%_{ROE}$	1.35	1.36

Notes:
1. Escalated in nominal dollars, not including financing costs
2. MF and LTA equity return based on IRR over service life while LIL based on regulated ROE subject to a "floor" value

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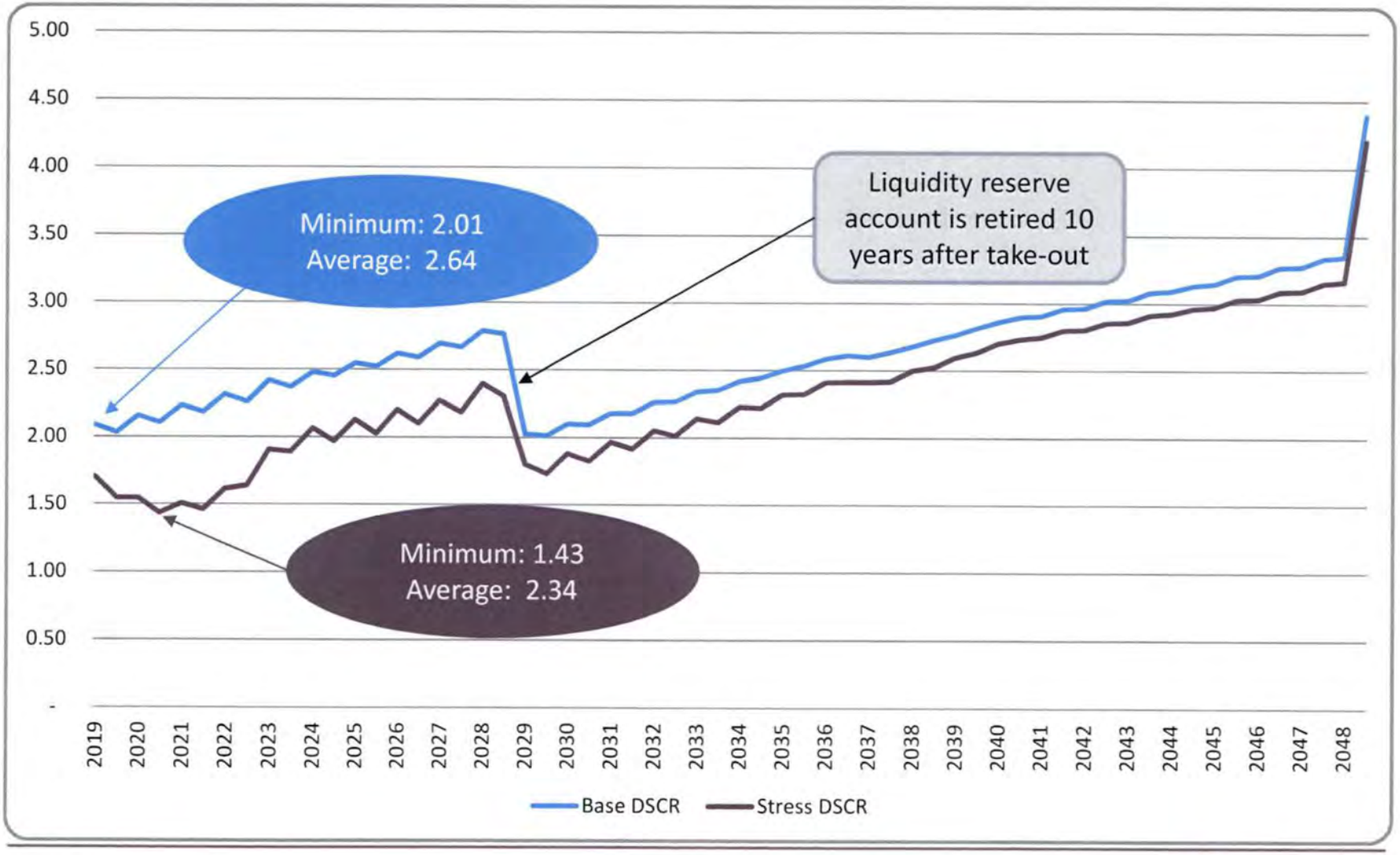
MF Debt Service Profile



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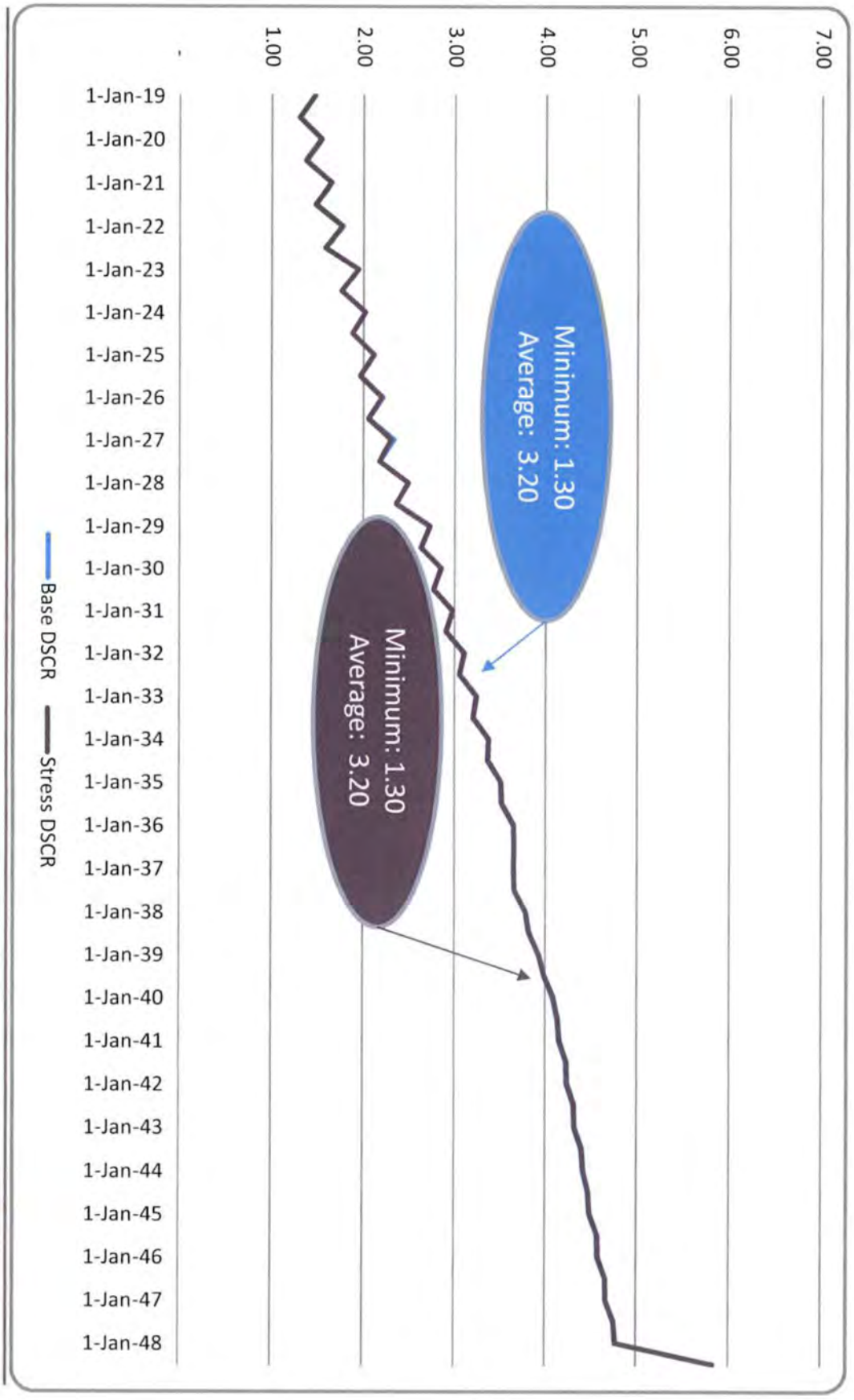
LTA Debt Service Profile



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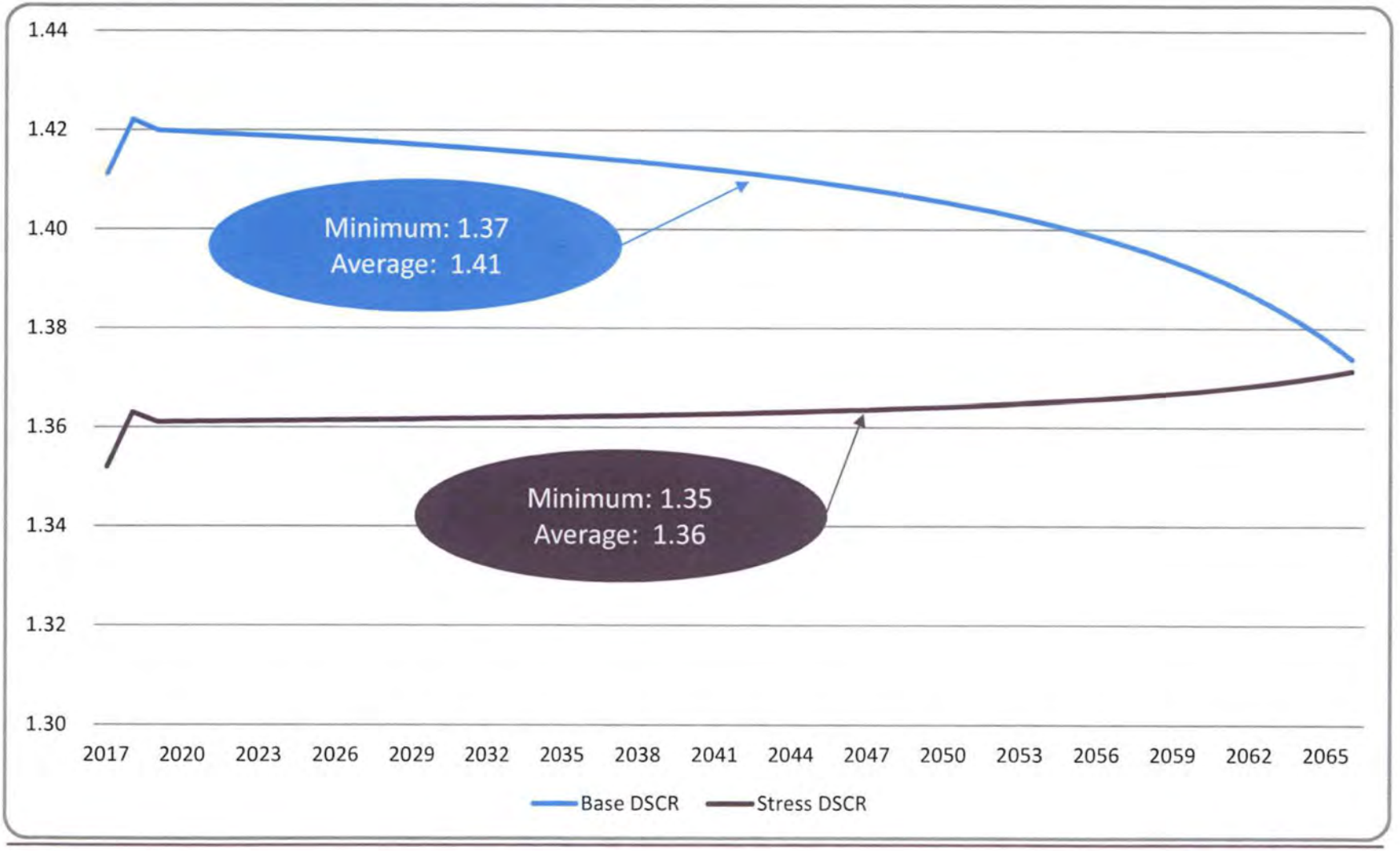
LIL Debt Service Profile



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Summary and Next Steps

Summary

- ✓ Robust business case
- ✓ Attractive project attributes
- ✓ High quality regulated revenues
- ✓ Assembled experienced team with mega-project expertise
- ✓ Proven operating experience
- ✓ Robust financial profile
- ✓ Access to export markets via two transmission routes
- ✓ Strong support from Shareholder – Government of NL
- ✓ Projects supported by Innu – ratified IBA
- ✓ Projects supported and endorsed by Government of Canada

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Next Steps

Milestones	Date
Data Room Access	November 7
Financial Model Review Session (Toronto)	Week of November 7
Project Execution/Technical Session (St. John's)	Weeks of November 14/21
Progress Update before Ratings Committee	Week of November 28
Preliminary Rating Report	**December 22**

Contacts

- Executive: Derrick Sturge dsturge@nalcorenergy.com or 709-737-1292
- Rating Inquiries: Jim Meaney jamesmeaney@nalcorenergy.com or 709-737-4860
- Data Room: Auburn Warren auburnwarren@nalcorenergy.com or 709-737-1256

Information Request Protocols

- Send all indicative rating information requests to lcprating@nalcorenergy.com
- Nalcor will respond within 48 hours

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Questions?

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Appendix A:
Indicative Debt Term Sheets

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MF/LTA Indicative Debt Term Sheets page 1

Issuer:	• Muskrat Falls Generation Co & Labrador Transmission Co (the "Companies", borrowing jointly and severally)
Offering:	• Construction facility • Long-term project finance debt takeout
Amount:	• MF Tranche - $1.76 billion • LTA Tranche - $0.17 billion
Term:	• Construction facility - construction period plus up to 2 years • Long-term project finance debt – 30 years
Interest:	• [ ]
Repayment:	• Level dollar debt service payment with full amortization over term
Security	• Shares of the Companies • All of the Companies' presently held or after acquired real and personal property, including interests in material contracts
Redemption	• Market-appropriate – for example, higher of face or NPV using specified discount (GoC plus spread)
Ranking	• Senior
Flow of Funds	1. Operating expenses 2. Sustaining Capex 3. Principal + Interest on Debt 4. Establish/replenish debt service reserve account, as required 5. Sustaining Capex due within next 6 months 6. Balance retained or distributed by the Companies

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MF/LTA Indicative Debt Term Sheets page 2

Debt Service Reserve Account:	• 6 months forecasted debt service
Liquidity Reserve Account:	• $65 million at long-term project finance debt takeout, to remain for 10 years
Distribution Test:	• DSCR test pre and post 12 months
Key Covenants:	• Negative pledge • Minimum DSCR • Restrictions on distributions • Restriction on termination/modification of MF-NLH PPA and LTCo-MF Interconnection Agreement • Maintain appropriate insurance coverage
Events of Default:	• Termination of MF-NLH PPA and Lab Transco-MF Interconnection Agreement • Breach of minimum DSCR • Breach of material contracts • Bankruptcy of Labrador Transco, Muskrat or NLH • Failure of Nalcor to meet equity call

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LIL Indicative Debt Term Sheets page 1

Issuer:	• Labrador Island Link Limited Partnership (the "Company")
Offering:	• Construction facility • Long-term project finance debt
Amount:	• $2.01 billion
Term:	• Construction facility - construction period plus up to 2 years • Long-term project finance debt – 50 years
Interest:	• [ ]
Repayment:	• Level dollar debt principal amortization over term
Guarantee:	• LIL Opco to jointly and severally guarantee all of the Company's debt
Security	• All partnership units and LIL Opco's shares • All of the Company's and LIL Opco's presently held or after acquired real and personal property, including interests in material contracts
Redemption	• Market-appropriate – for example, higher of face or NPV using specified discount (GoC plus spread)
Ranking	• Senior
Flow of Funds	1. Operating expenses 2. Sustaining Capex 3. Principal + Interest on Debt 4. Establish/replenish debt service reserve account, as required 5. Sustaining Capex due within next 6 months 6. Balance retained or distributed by the Companies

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LIL Indicative Debt Term Sheets page 2

Debt Service Reserve Account:	• 6 months forecasted debt service
Distribution Test:	• DSCR test pre and post 12 months
Key Covenants:	• Negative pledge • Minimum DSCR • Restrictions on distributions • Restriction on termination/modification of LIL Opco-NLH Transmission Funding Agreement and LIL Opco-LIL LP Transmission System Asset Lease • Maintain appropriate insurance coverage
Events of Default:	• Termination of LIL Opco-NLH Transmission Funding Agreement and LIL Opco-LIL LP Transmission System Asset LeaseBreach of minimum DSCR • Breach of material contracts • Bankruptcy of LIL Opco, LIL LP or NLH • Failure of Nalcor to meet equity call

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