

Kennedy, Jerome

From: Maclean, Heather
Sent: Tuesday, December 18, 2012 12:12 PM
To: Kennedy, Jerome; Bown, Charles W.
Cc: Shute, Tracy
Subject: FYI:Emera: q and a from Sanction media availability this afternoon
Attachments: image001.gif

From: "IRVING, SASHA" [Sasha.Irving@emera.com]
Sent: 12/18/2012 01:34 AM GMT
To: Dawn Dalley
Subject: Fwd: q and a from Sanction media availability this afternoon

Sasha Irving
 Director, Corporate Communications
 Emera Inc.

Sent from my iPhone

Begin forwarded message:

"Subject: q and a from Sanction media availability this afternoon

Q&A from Press Conference

Media:

Candian Press
 O'Brien – CBC Radio

Analysts:

Paul – CIBC
 Linda Ezergalis
 Danny – RBC
 Mark from RBC, Steve Choy from RBC,
 Canaccord

Q. Do you have a price of power yet?

A. There is quite a bit about application in the agreement but it will be January when we make application and that's when we can see pricing situation. We are firming up the cost of the ML and one feature in agreement is that 80/20 – 20% cost for 20% power is firming up in arrangement and that will provide stability. 20% of project cost will be 1.52 B and will generation 200M to 500M of savings for customers.

Q. What are mechanisms for adjusting ROE and 80/20 true up?

A. Adjustments for ROE can be shared by partners and provides a mechanism for that to happen. You'll see that in agreement posted on website tonight. 80/20 true up is straight forward – 20% of cost for 20% of power.

Q. Why are we announcing sanctioning before the UARB hearings?

A. We are at a point in the project where Nalcor needs to move forward with projects. As a result of FLG moving forward it was important to create more certainty. NO costs passed to NS customers until UARB in NS has decided that this is the lowest cost alternative. Very confident is lowest cost alternative. \$200-\$500 M in savings will be realized.

Q. What is timeframe that the savings occurs?

A. That's over the life of the project – 35 year period that project is in place. That's as it relates to the

alternatives to comply with CO2 reductions under federal regs.

Q. When you talk about alternatives are you talking about Hydro Quebec?

A. As we thought about opportunities to get clean energy and comply with regs we have three alternatives – bring energy in from the north from variety of sources: NB, NE and Hydro Quebec. WE can bring from the east which is the project we are bringing forward and we can also satisfy needs inside province like wind and gas as part of solution to reducing CO2 emissions.

Q. IN terms of timeline, when do you have to decide if you pull out? Can you forego right to pull out before 2014 or does that mean you are locked in?

A. Agreed to move forward with project, make an application in Jan timeframe and work with Nalcor to satisfy conditions to move project forward. Under terms of agreement we're committed with Nalcor to build the ML. Construction to begin late in 2013 or early 2014. Nalcor can make decision about construction of their project.

Q. What is the price? What is the cost? Any change?

A. The price of electricity in the agreement is something that will be fully articulated in the application we make in January. Its not a point in time number. Is a cost to customers over the entire 35 year period. It is probably more applicable to say that what this does is save them somewhere between \$200M and \$500M over that period. You'll see price per year in application in Jan. timeframe

Q. When would NS see this first reflected in rates?

A. Project will come on stream in 2013 and that would be first year reflected in rates?

Q. When would you begin borrowing money for this?

A. That has started. We continue to fund development cost of project and continue to do that in 2013 until we see regulatory approval. Important to note that FLG is very valuable for customers in Nova Scotia. We can put 70% of project in debt whereas today NS Power would have closer to 60% debt. It will allow lower cost capital structure for project. Also, reduce cost of borrowing on project. Worth about \$100-\$125M in savings to customers.

Q. Does this agreement protect Emera in case UARB projects downward?

A. Consistent with where NS Power is today. 30% equity and working together with Nalcor to deal with any adjustments to ROE.

Q. Cost overruns on construction – does agreement cover how that is shared between Nalcor and Emera?

A. They are covered in two categories – preconstruction cost of getting to the final construction goes ahead. At this point we are at what our team calls decision gate 2 cost structure. Final engineering completed by late 2013. Once completed we will have final cost. What ends up happening is final cost established and agreement describes how that will happen. Then we have construction period – there is sharing of construction risk between Nalcor and Emera. Other thing is 80/20 sharing. That says 80% of cost of project is reflective of the sanction that Nalcor will make. Once they make that decision 80% of costs are pinned down and cannot change. Then we are only subjected to 20% variance on cost of project. Creates certainty for Nalcor, Emera and NS Customers as well.

Q. Are assumptions based on sales in US?

A. Not as it relates to NS customers.

Q. Should price of energy being obtained in US not being what is projected?

A. No risk to Emera and no risk to customers. We can meet federal rules on CO2.

Q. Cost estimate for project – decision gate 2 and the cost we have today is latest figure but will be more refined estimate for both Maritime Link and whole project?


A. As we look at application 3 numbers important to us. 50% probability that costs are above this number is in \$1.3B range. 90% probability that it will be above that number is the \$1.5B dollars. Then if you take 80/20 that Nalcor is projecting, that number is \$1.52B is what we have now studied and will present to Nova Scotians. During reg process we will give NS understanding as to what the value of that \$1.52B produces for their future. WE project \$200-\$500M of savings against the other alternatives.

Q. Still confused as to whether \$1.52 – will be a figure down the road?

A. 80% is rock solid. Only 20% has any variance at all and so the engineering level of that 20% is at about 20% as well, but, because 80% of costs are locked in as a result of sanction then you'll see a very small variance. Clear benefit

of early sanction is that we have much better understanding of what cost of project is and how that can be reflected in value.

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Emera Inc. Approves Sanction of the Maritime Link Project

Halifax, Nova Scotia - Dec 17, 2012—Emera Inc. (EMA:TSX) is pleased to announce sanction of the Maritime Link, an energy transmission project that will link the provinces of Newfoundland and Labrador and Nova Scotia for the very first time. When completed, The Maritime Link will supply affordable, reliable and renewable energy to Nova Scotians.

The Sanction Agreement entered into today will enable Emera and Nalcor to move forward with the project on terms that are consistent with the Federal Loan Guarantee announced on November 30, 2012. The Federal Loan Guarantee provides a direct benefit to Nova Scotia customers by lowering Emera's borrowing costs for the project. This will save more than one hundred million dollars in financing costs over the 35-year period, all of which will be passed on directly to customers.

"Today's announcement underscores our confidence in the benefits of this truly regional and transformative project," said Chris Huskilon, President and CEO, Emera Inc. "Emera firmly believes that this project is the best and lowest cost option for Nova Scotia, and that it will be an important component in meeting the province's future clean energy needs for generations to come."

Recovery of costs on the Maritime Link project from NS customers remains subject to regulatory approval in Nova Scotia. The project partners have committed to ensure that the Maritime Link is built under the terms of The Sanction Agreement. These terms include:

- Agreement on a mechanism for dealing with adjustments to rate of ROE
- Settlement mechanism for payment on the 80/20 true up
- Agreement on the conditions under which Emera's investment in the Labrador Island Transmission Link is assured
- Agreement on cost sharing of the Federal guarantee payment

A copy of the early sanction agreement will be available this evening at www.emerainl.com

"Today's agreement to sanction the project preserves the benefits of the Federal Loan Guarantee for Nova Scotians while upholding the role of the regulator in Nova Scotia," said Mr. Huskilon. "Emera is applying to the UARB for a full review of the Maritime Link project to ensure Nova Scotia electricity customers receive the low-cost option for long-term renewable energy. We look forward to filing our complete application with the UARB next month and fully explaining the benefits of this project to customers in Nova Scotia."

In addition Emera, Nalcor, the Government of Nova Scotia and the Government of NL have signed a further intra-provincial agreement that provides for the coordinated oversight of the parties efforts to meet the conditions precedent to the Federal Loan Guarantee. (to be released Thursday)

Forward Looking Information

This news release contains forward looking information. Actual future results may differ materially. Additional information related to Emera, including the company's Annual Information Form, can be found on SEDAR at www.sedar.com or on EDGAR at www.sec.gov.

Teleconference Call

The company will be hosting a teleconference at 12:00 pm Atlantic time on Tuesday, December 18, 2012 (11:00 am Toronto/Montreal/New York; 10:00 am Winnipeg; 8:00 am Vancouver) to discuss early sanction of the Maritime Link.

Analysts and other interested parties wanting to participate in the call should dial 1-866-225-0198 (in Toronto 416-340-8061) at least 10 minutes prior to the start of the call. No pass code is required. The teleconference will be recorded. If you are unable to join the teleconference live, you can dial for playback, toll-free at 1-800-408-3053 (in Toronto 905-694-9451), access code 6247187 # (available until midnight, Tuesday, January 1, 2013). The teleconference will also be web cast live at emera.com and available for playback for one year.

About Emera Inc.

Emera Inc. is an energy and services company with \$7.4 billion in assets and 2011 revenues of \$2.1 billion. The company invests in electricity generation, transmission and distribution, as well as gas transmission and utility energy services. Emera's strategy is focused on the transformation of the electricity industry to cleaner generation and the delivery of that clean energy to market. Emera has interests throughout northeastern North America, in three Caribbean countries. More than 80% of the company's earnings come from regulated investments. Emera common and preferred shares are listed on the Toronto Stock Exchange and trade respectively under the symbols EMA, EMA.PR.A, and EMA.PR.C. Additional information can be accessed at www.emera.com or at www.sedar.com.

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