



November 29, 2012

Honourable Joe Oliver
Minister of Natural Resources Canada
Government of Canada
Sir William Logan Building – 21st Floor
580 Booth St.
Ottawa, Ontario K1A 0E4

Dear Minister Oliver:

Subject: Agreement Providing Key Terms and Conditions For the Loan Guarantee for the Financing Debt of the Lower Churchill River Project (the "Guarantee Term Sheet")

We are writing as a follow up to our letter of November 26, 2012.

We continue to work with our legal counsel and financial advisers to resolve all outstanding drafting issues on the Guarantee Term Sheet.

We greatly appreciate Canada's determination to bring our negotiations to a successful close.

We believe that the commitment by Nalcor and Emera, as outlined in our letter of November 26th sets the stage to do exactly that, allowing the Prime Minister, the Premier of Newfoundland and Labrador and the Premier of Nova Scotia to proceed with their Lower Churchill announcement this week or next.

In our letter of November 26, 2012, Nalcor and Emera committed to Canada to undertake and complete the Lower Churchill project as a single, regional project. We are agreeing to do this by commercially binding ourselves together by way of a simultaneous sanctioning (described as a 'joint' sanctioning) of all four construction phases that comprise the Lower Churchill Project.

In this way, each component of the Single Project can be constructed in its proper sequence, with the required financial closing and the application of the Federal Loan Guarantee that pertains to it. In this manner, the specific content and conditions of a single over-arching Federal Loan Guarantee structure would be fully respected.

This will fully give effect to the Prime Minister's desire to proceed with 'one regional project with one Federal loan guarantee'.

At present, the announcement is being held up pending the finalization of the Term Sheet.

To get this matter resolved, Ed Martin the CEO of Nalcor and Chris Huskison the CEO of Emera and officials from the Province of Nova Scotia and Newfoundland and Labrador, are all in Ottawa empowered to work with Canada to resolve all outstanding issues to finalize the Term Sheet.

Please be advised that Nalcor and Emera are prepared to agree to accept Canada's most recent wording on the aboriginal and environmental conditions.

In our view, the only issue that then remains is the drafting of the clause that ensures that the Lower Churchill Project obtains the desired benefit of Canada's AAA credit rating (the concept of 'full credit substitution').

Nalcor and Emera believe that full credit substitution can be achieved through the inclusion of the proposed Article 2.2 which is set forth below.

Canada, the Borrowers and the Proponents will work to agree on a Transaction Structure that in conjunction with the FLG Agreement will result in the Project debt achieving Canada's AAA credit rating. The parties agree that the credit rating agencies will be asked to confirm that the FLG Agreement and Transaction Structure would achieve this objective. The Parties agree that they will finalize the Transaction Structure and form of Guarantee, including obtaining confirmation from the credit rating agencies by January 31, 2013 in order to facilitate the start of the financing process.

The inclusion of this Article 2.2 will allow Nalcor and Emera to remove all other substantive commercial issues which have been raised.

Assuming Canada agrees with this suggestion for Article 2.2, we would request that Canada similarly empower your negotiators to meet and carry out a final 'clause by clause' review to finalize the text. This will allow us to have the Term Sheet ready for execution by the close of business Thursday, November 29, 2012.

We are in Ottawa and are ready to meet and willing and able to conclude the Term Sheet on the basis described above or on such other basis as we can agree upon.

Sincerely yours,

NALCOR ENERGY

EMERA INC.

E. J. Martin
President and
Chief Executive Officer

Chris Huskilson
President and
Chief Executive Officer