

MINUTES OF THE SECOND MEETING OF THE BOARD OF DIRECTORS OF ENERGY CORPORATION OF NEWFOUNDLAND AND LABRADOR HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON FRIDAY, NOVEMBER 23rd, 2007 AT 12:10 P.M.

**Present in
Person:**

C. Bennett
T. Clift
K. Marshall
E. Martin
G. Shortall
E. Turpin

**Present by
Telephone:**

D. MacDonald (12:40)

Absent:

C. Kieley

**Present by
Invitation for
Part of the
Meeting:**

Jim Keating, Vice-President
Business Development

Derrick Sturge, Vice-President
Finance and Chief Financial Officer

Secretary:

W. Chamberlain

10. CONSTITUTION OF THE MEETING

Notice for the meeting was sent on November 7, 2007. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business. K. Marshall chaired the meeting.

D. Sturge joined the meeting.

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11. VERIFICATION OF MINUTES

Copies of the minutes of the **FIRST** meeting held on October 11, 2007 had been included in the meeting papers circulated prior to the meeting.

On motion duly made by E. Turpin, seconded by C. Bennett and unanimously carried, it was resolved:

THAT the minutes of the **FIRST** meeting of the Board of Directors of Energy Corporation of Newfoundland and Labrador held on October 11th, 2007, which minutes are currently before this meeting, be and they are hereby verified as being correct; and

THAT the Chairman be and he is hereby authorized to verify minutes by signing the Minute Book.

12. BUSINESS ARISING

D. Sturge confirmed that the Directors and Officers Liability insurance was put in place on October 12, 2007 and the coverage is the same as the insurance coverage of Newfoundland and Labrador Hydro. There is also an indemnification from the Province that indemnifies Board members except in the case of fraudulent actions.

13. APPOINTMENT OF COMMITTEES

On motion duly made by G. Shortall, seconded by E. Turpin and unanimously carried, it was resolved:

THAT the following Directors be appointed to the Audit Committee of the Board:

Gerry Shortall, Chairperson
Ken Marshall
Edna Turpin

On motion duly made by G. Shortall, seconded by E. Turpin and unanimously carried, it was resolved:

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THAT the following Directors be appointed to the Governance Committee of the Board:

Tom Clift, Chairperson
Gerry Shortall
Edna Turpin

On motion duly made by G. Shortall, seconded by E. Turpin and unanimously carried, it was resolved:

THAT the following Directors be appointed to the Compensation Committee of the Board:

Ken Marshall, Chairperson
Tom Clift

On motion duly made by G. Shortall, seconded by E. Turpin and unanimously carried, it was resolved:

THAT the Board of Directors will act and perform the duties and responsibilities of the Safety, Health and Environment Committee until additional members of the Board are appointed.

14. BOARD COMMITTEE REPORTS

15. Audit Committee

G. Shortall reported that the Audit Committee reviewed and approved a detailed meeting plan and reviewed the Financing Plan and 2008 budget. The Committee also considered the potential audit requirements and pre-approved the non-audit requirements.

16. Governance Committee

T. Clift reported that based on a review of models used by other organizations with similar structures, D. Sturge provided the Committee for consideration

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different models for the composition of Boards for ECNL and its subsidiaries.
The Committee will review and make recommendation on what approach to take.

The Board had a brief discussion regarding the merits of having an NLH Board comprised of management. It was also suggested that an NLH Board comprised of a combination of independent directors and management be considered.

T. Clift advised that this may be the opportunity to review the issue of compensation of directors and corporate structure issues.

D. MacDonald joined the meeting and commenced to Chair the meeting.

J. Keating joined the meeting.

17. BUSINESS UNIT REPORTS

18. Business Development

White Rose Extension -

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Hebron -

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West Coast Onshore –

Natural Gas – J. Keating advised that we are participating in a natural gas study with EnerSea and it is expected to be completed by end of 2007. We are also participating in a multi-party study associated with Labrador natural gas and an associated sea bottom survey of pipeline route.

Wind – J. Keating advised that the two island wind projects should be constructed in 2008 and the Fermeuse Wind Project Agreement is on schedule and expect the agreement to be signed before the end of the year. The Labrador wind-hydro integration study is progressing well and ice monitoring equipment has been installed at two sites. Also working with Shell (Wind Division) to obtain a cold eyes assessment of this work.

Ramea WHD – The project was submitted to the PUB for review and the wind turbine tender closed on December 4, 2007.

Menihek Plant – J. Keating reported that Newfoundland and Labrador Hydro is the owner of the Menihek Plant, and will operate the Menihek plant and have full cost recovery of all capital and operating costs from Hydro Quebec plus a guaranteed purchase of energy at an escalated rate.

J. Keating left the meeting.

19. FINANCE REPORT**20. 2008 Financing Plan**

D. Sturge reviewed the 2008 Financing Plan that was included with the Board papers. He advised that the Energy Corporation of Newfoundland and Labrador ("ECNL") will require \$400 million in financing in 2008 to primarily finance the Lower Churchill pre-sanction activities and oil and gas investments. ECNL will provide transitional financing for these business opportunities until they are able to secure their own financing. The financing structure was reviewed.

D. Sturge outlined the 2008 financing requirements and advised that the three financing vehicles would be internal cash flow, external debt financing and an equity infusion from the Shareholder. It is anticipated that the initial debt financing requirements will be satisfied by bank financing of up to \$300 million.

The preservation of the borrowing capacity is recommended for the reasons noted in the 2008 Financing Plan. The financing request to the Shareholder, based on 2008 investment and financing requirements, will be twofold: the suspension of dividends payments to at least March 31, 2009 and an equity contribution from Shareholder of \$215 million in 2008.

It is recommended that: negotiate and implement a financing facility not to exceed \$300 million; approval to approach and recommend to Shareholder to set ECNL short term borrowing limit at \$300 million; approval of recommendation that the payment of the dividend be suspended to at least March 31, 2009 and to create or assign contracts regarding non-regulated activities.

On motion duly made by G. Shortall, seconded by C. Bennett and unanimously carried, it was resolved:

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THAT the Energy Corporation of Newfoundland and Labrador be and it is hereby authorized to in 2008 negotiate and implement a financing facility totaling not more than \$300 million, with terms of the financing to be at a minimum in accordance with those outlined in the presentation made to the Board at its meeting of November 23, 2007.

On motion duly made by G. Shortall, seconded by C. Bennett and unanimously carried, it was resolved:

THAT Leadership is hereby authorized to submit a recommendation to the Lieutenant Governor-in-Council that the Corporation's short term borrowing limit be set at \$300 million.

On motion duly made by G. Shortall, seconded by C. Bennett and unanimously carried, it was resolved:

THAT Management is authorized to recommend to the Lieutenant Governor in Council that the Corporation suspend dividend payments until the Corporation is fiscally sound and producing positive cash flows and more specifically dividends be suspended to March 31, 2009.

On motion duly made by G. Shortall, seconded by C. Bennett and unanimously carried, it was resolved:

THAT the Corporation is hereby authorized to:

1. enter into, as necessary, contracts to effect the transfer of non-regulated activities from Newfoundland and Labrador Hydro ("Hydro") to the Corporation;
2. accept assignment from Hydro of non-regulated contracts and assets, as well as of shares in Churchill Falls (Labrador) Corporation Limited, Gull Island Power Company Limited and Lower Churchill Development Corporation Limited from Hydro.

D. MacDonald left the meeting and K. Marshall agreed to chair the meeting.

21. 2008 OPERATING AND CAPITAL BUDGET

D. Sturge reviewed the 2008 Operating and Capital Budget that was circulated at the meeting. The budget package has three sections: ECNL; Newfoundland and Labrador Hydro and Churchill Falls (Labrador) Corporation Limited. With respect to ECNL, the financial position is heavily dependent on the revenues from the sale of recall power to Hydro-Quebec. Net income will be lower than 2007 as a result of lower earnings in Hydro. Capital expenditures are expected to be \$410 million due primarily to significant expenditures related to the Lower Churchill project and oil and gas investments.

The Budget assumes that the Lower Churchill project will pass through Decision Gates 2A and 2B and commence FEED and the equity investments in White Rose Extension and Hebron are made. In addition, it is assumed that dividend payments are suspended to March 31, 2009 and that the Shareholder will make an equity contribution of \$215 million, approval of a Hydro rate increase effective January 1, 2009 and island wind power purchases commencing in September 2008 resulting in a reduction of fuel consumption at Holyrood.

D. Sturge reviewed the highlights and particulars related to ECNL, Hydro and CF(L)CO.

On motion duly made by G. Shortall, seconded E. Turpin and unanimously carried, it was resolved:

THAT the Energy Corporation of Newfoundland and Labrador Operating and Capital Budgets for 2008, as tabled and initialed by the Secretary for identification, be and it is hereby approved.

On motion duly made by T. Clift, seconded by E. Turpin and unanimously carried, it was resolved:

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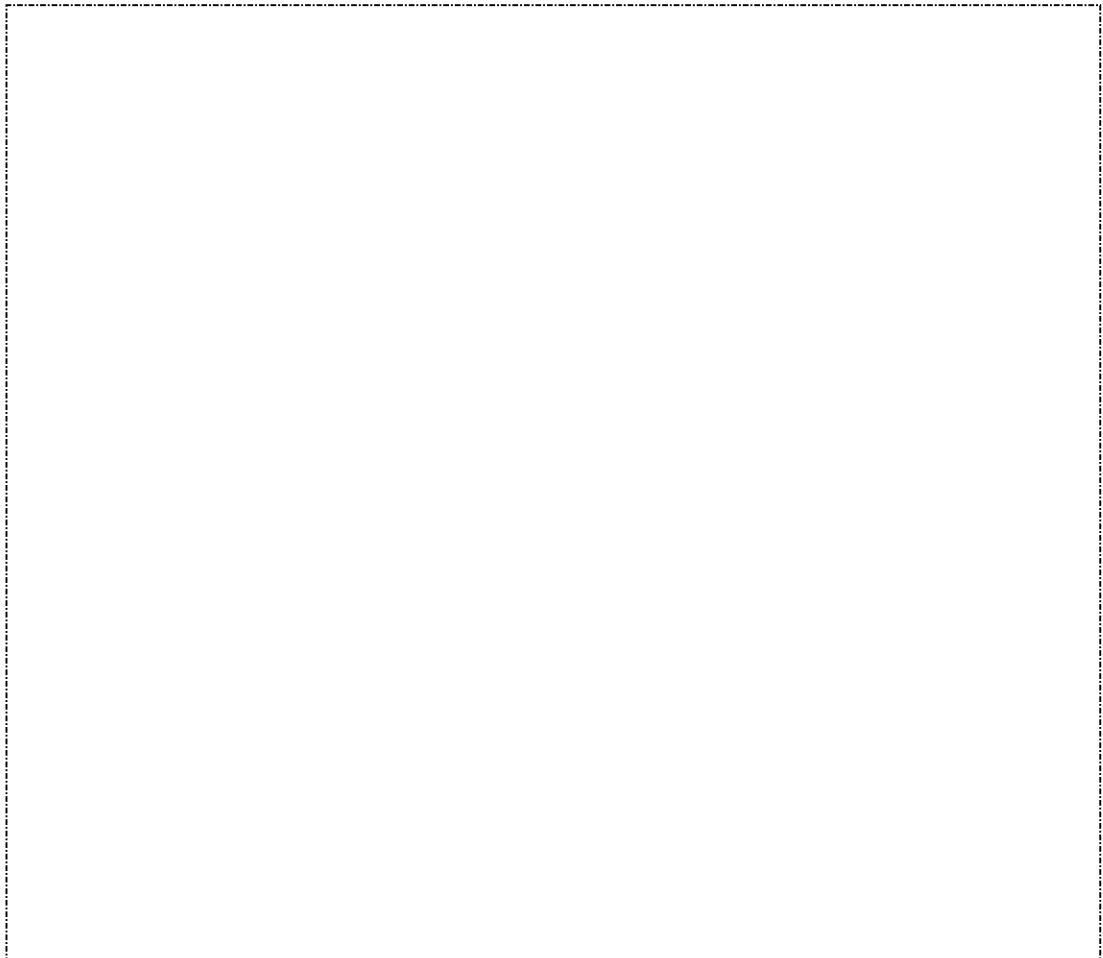
1.0 Bank



2.0 Signing Officers



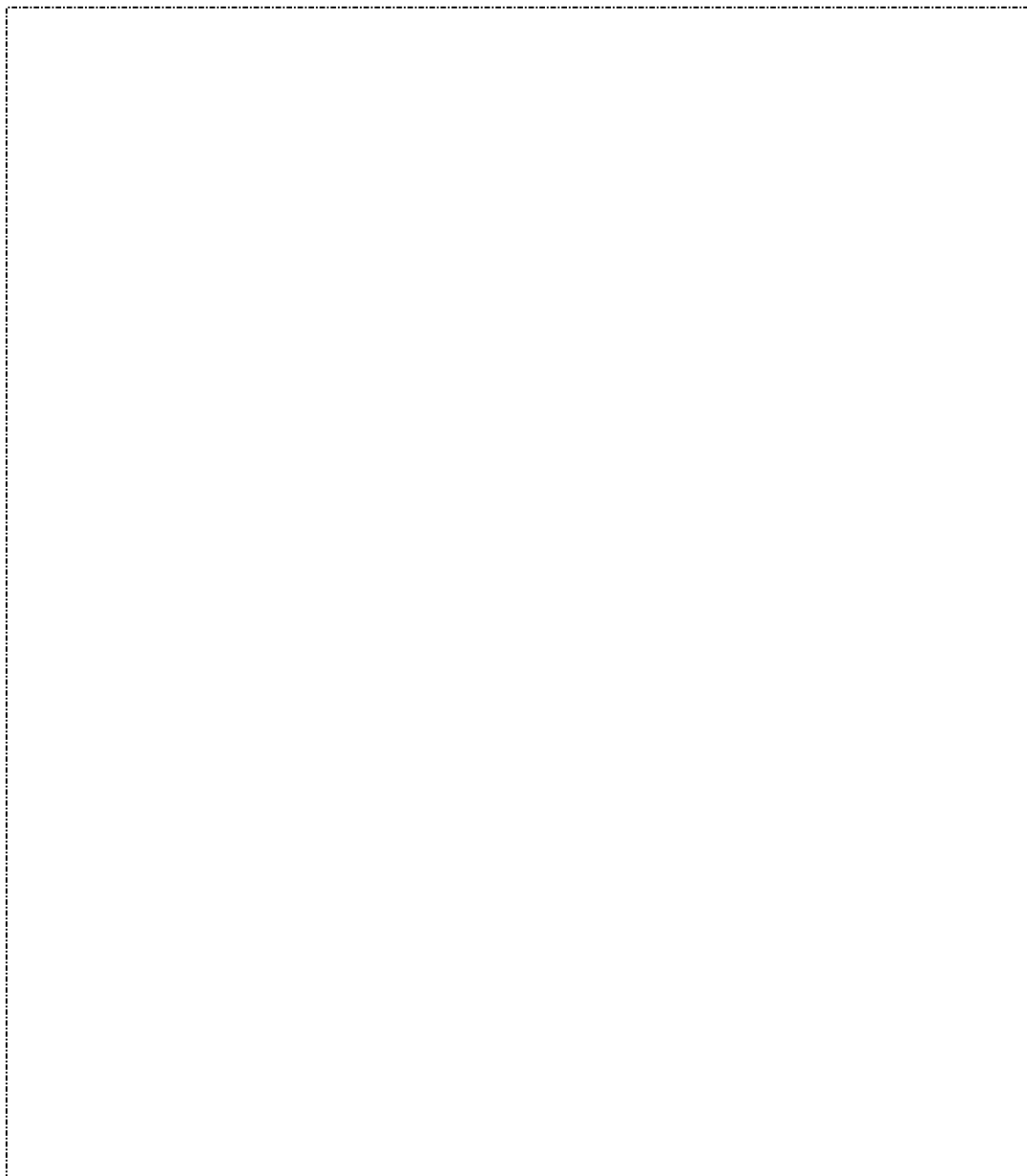
3.0 Borrowing, Assigning, Signing, Etc.



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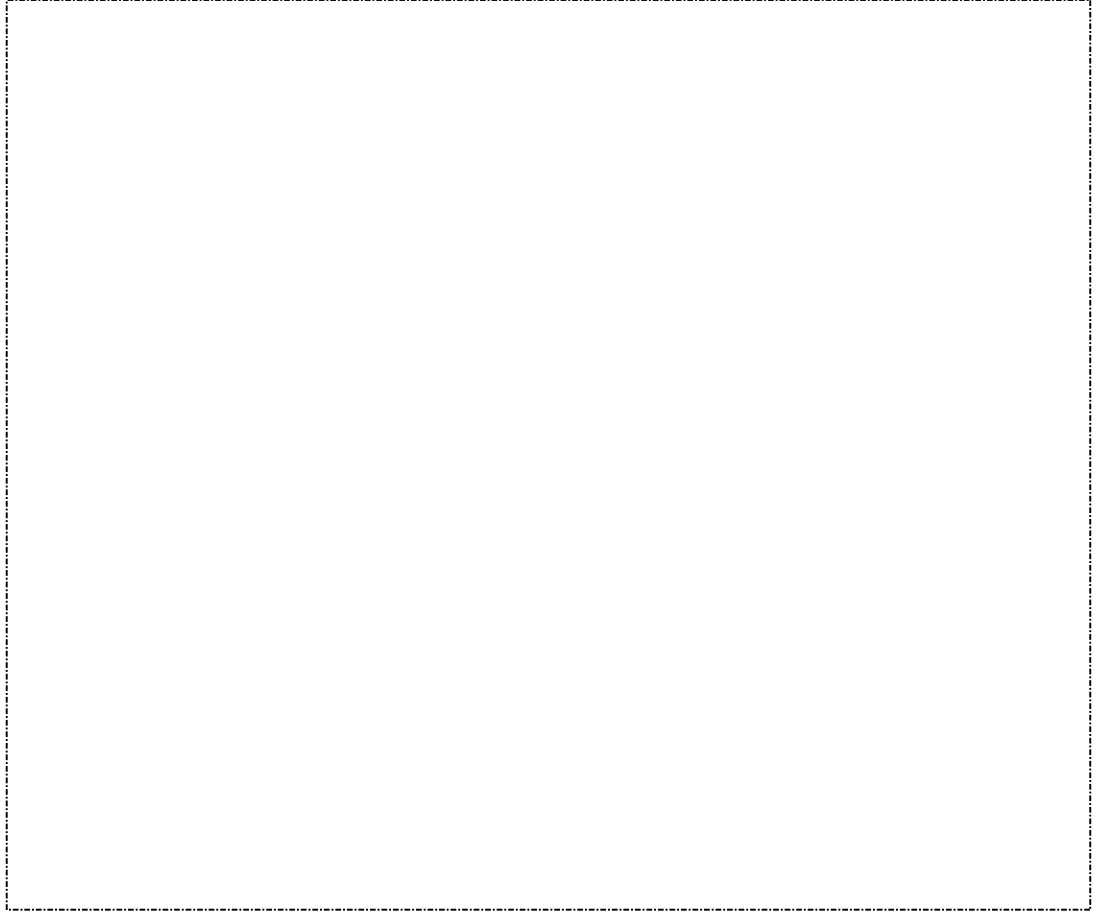


4.0 Facsimile Signing



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5.0 Depositing and Certifying



6.0 Safety Deposit Box



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7.0 Names and Specimen Signatures




8.0 Signatures of Two Individuals Required



9.0 Documents Binding



10.0 Effective Period



23. **BUSINESS UNIT REPORTS**

24. **Lower Churchill**

E. Martin provided an update on the status of the Lower Churchill Project. He provided an overview of the Gateway process and advised that Gate 2 is a two step process whereby Gate 2A is targeted for March 1, 2008 and Gate 2B is targeted for July 1, 2008. The deliverables for Gates 2A and 2B were reviewed

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and will be seeking Board approval with respect to these Decision Gates. The Lower Churchill pre-sanction annual costs were also reviewed. He also reviewed the water management issue with respect to the Lower Churchill Project and the various water management scenarios and the market access options, financial plan overview, possible industrial opportunities, regulatory and structure issues and next steps.

25. NEXT MEETING

The 2008 meeting schedule was approved and will be as follows: March 7th, June 27th, September 26th and November 21st, 2008


Messrs. Martin, Sturge and Chamberlain left the meeting for the in camera meeting of the Board.

26. IN CAMERA

Messrs. Martin, Sturge and Chamberlain returned to the meeting after conclusion of in camera meeting. The Acting Chair reported that there were no matters requiring follow-up.

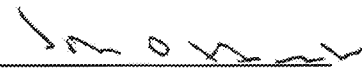
27. TERMINATION

There being no further business the meeting terminated.


Secretary

Verified at a meeting held on

March 7, 2008


Chair