

**MINUTES OF THE FIFTEENTH MEETING OF THE BOARD OF DIRECTORS  
OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO  
PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON FRIDAY,  
MARCH 6<sup>th</sup>, 2009 AT 10:15 A.M.**

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**Present in  
Person:**

J. Ottenheimer, Chair  
C. Bennett  
T. Clift  
E. Martin  
K. Marshall  
G. Shortall

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

Derrick Sturge, Vice-President  
Finance and Chief Financial Officer  
Greg Jones, Manager Business  
Development

**Secretary:**

W. Chamberlain

**168. CONSTITUTION OF THE MEETING**

Notice for the meeting was sent on February 9, 2009. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

D. Sturge joined the meeting.

**169. SAFETY MOMENT**

T. Clift volunteered to present a safety moment advising that current building code requires exit doors to open outwardly and he noted that the Boardroom doors open inwardly. There was discussion whether outwardly opening doors could be a safety hazard to those using the corridor.

170.

**VERIFICATION OF MINUTES**

A copy of the minutes of the **TWELFTH and THIRTEENTH** meetings held on November 21<sup>st</sup>, 2008 and January 29<sup>th</sup>, 2009, respectively, which were respectively included in the meeting papers and circulated by email prior to the meeting.

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

**THAT** the minutes of the **TWELFTH and THIRTEENTH** meetings of the Board of Directors of the Energy Corporation of Newfoundland and Labrador and Nalcor Energy held on November 21<sup>st</sup> and November 28<sup>th</sup>, 2008 and January 29<sup>th</sup>, 2009, respectively, 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.

171.

**BOARD COMMITTEE REPORTS**

172.

**Governance Committee**

T. Clift circulated a report that he had prepared with respect to the Governance Committee meeting held on March 5, 2009. He reported that the Committee reviewed and agreed on the a Board committee matrix taking into consideration the present level of business development activity of the Nalcor group of companies, but further consideration is being given to whether Newfoundland and Labrador Hydro Board requires an Audit Committee. As the Corporation and its lines of business expand and develop it may be necessary to increase the number of Board committees and/or amend the current mandates of such committees.

The Committee concluded that growth and new business opportunities require a stronger focus on risk management to ensure that the risks are identified and

being effectively managed. The current risk management is primarily financial and insurance risk focused and likely needs to be broadened from a governance perspective to address any new risks associated with emerging growth and business opportunities. The Lower Churchill Project was viewed as having the risk management process.

E. Martin advised that the development of the asset management plan will significantly improve the risk management of the Corporation. He further advised that Management is in the process of planning a Board retreat to review and seek the Board's input into the long term planning (20-year plan), the strategic framework and would include risk management.

173.

**Audit Committee**

G. Shortall advised that a credit facility is now in place for the Corporation and a long term financing plan is in place. Newfoundland and Labrador Hydro has received \$100 million in equity from shareholder. The Committee reviewed all of the financial statements for all of the Nalcor group of companies.

174.

**2008 AUDIT**

175.

**2008 Year-End Financial Report**

D. Sturge reviewed the 2008 Year-End Financial Report that was circulated at the meeting. He advised that the net income for Corporation was approximately \$9 million above budget due primarily to the waiver of the debt guarantee fee by the Shareholder. The non-regulated activity related to Lower Churchill was transferred from Newfoundland and Labrador Hydro ("Hydro") to the Corporation as at December 31, 2008. The transfer of the Churchill Falls (Labrador) Corporation ("CF(L)Co") shares from Hydro to the Corporation and the Recall power block have yet to be transferred.



D. Sturge further reported that the CF(L)Co cable shaft fire had a significant impact upon CF(L)Co net income and budget in 2008 and will also have a significant impact on net income in 2009. The Consolidated Balance Sheet was reviewed and advised that a significant increase in capital expenditures with respect to oil and gas and the Lower Churchill project is anticipated.

**176. 2008 Consolidated Financial Statements**

D. Sturge reviewed the 2008 Consolidated Financial Statements that were included and circulated with the Board papers. He commenced to highlight key disclosures in the notes of the Consolidated Financial Statements.

D. Sturge noted that a resolution of the Board was required to document the issuance of common shares to the Shareholders.

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

**THAT** share capital is hereby authorized with an unlimited number of no par value common shares and the issuance of 122.5 million shares for \$122.5 million, be and is hereby approved

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

**THAT** the 2008 Consolidated Financial Statements comprising the Consolidated Balance Sheet as at December 31, 2008, and the Consolidated Statement of Income and Retained Earnings and Consolidated Statement of Cash Flows for the year-ended December 31, 2008, as amended and tabled and initialed by the Secretary for identification , be and they are hereby approved subject to any further amendments approved by the Chair of the Audit Committee of the Board of Directors who is hereby authorized to approve any amendments thereto on behalf of the Board; and

**THAT** J. Ottenheimer and G. Shortall, or any two Directors be and they are hereby authorized to sign said Balance Sheet on behalf of the Board.

There was also some discussion of the environmental issue and mitigation plan with respect to the Twin Falls plant and the financial risks associated with that. D. Sturge advised that this issue is currently being examined by the Twin Falls Power Corporation Board of Directors.

177.

**PRESIDENT'S REPORT**

178.

**2008 Corporate Plan Year End Performance Report**

E. Martin reviewed the 2008 Corporate Plan Year End Performance Report that was included with the Board papers. The 2008 key accomplishments were reviewed for each of the lines of business as well as where improvement is required. The performance summary with respect to goals 1 through 8 were also reviewed.

179.

**2009 Draft Corporate Plan**

E. Martin reviewed the 2009 Draft Corporate Plan that was circulated by email on March 5, 2009 and copies were also circulated at the meeting. This draft plan is predicated on long term planning that is then manifested into a 5 year plan with respect to the Corporate goals. The Board members were asked to review the draft 2009 Corporate Plan and individually communicate any comments or concerns they may have to Management over the next few weeks.

180.

**UPDATE – RECALL SALES**

G. Jones joined the meeting. E. Martin advised that a decision will soon be required with respect to the sale of recall power that is currently sold to Hydro Quebec pursuant to a contract which is to expire on March 31, 2009.

The Recall Power contract with Hydro Quebec is due to expire on March 31, 2009 and negotiations are continuing with Emera Energy Inc. and Hydro Quebec.

The three potential options with respect to the sale of the recall power were reviewed in detail which included the sale of the recall power to Hydro Quebec, by NL Hydro directly to New York and other markets and sale to third party marketer such as Emera or other similar type companies. The options were evaluated with respect to level of risk and strategic alignment.

G. Jones reported that Hydro Quebec TransEnergie has forwarded to Newfoundland and Labrador Hydro ("Hydro") the Transmission Service Agreements for execution that would provide transmission access from the Labrador border to a Canada-U.S. border delivery point.

G. Jones recommended that the Transmission Service Agreements and associated agreements be executed by Hydro and that negotiations continue with Emera with respect to a short term power purchase agreement.

E. Martin cautioned the Board that all of the risks cannot be 100% mitigated and that such an arrangement to provide for the sale of the recall power to Emera is a fundamental shift in our risk/return approach with respect to recall sales, however there is a potential to benefit from the upside with respect to such sales and is recommended that agreements be finalized on the basis on the basis of the presentation delivered to the Board.

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

**THAT** Management is hereby authorized to proceed with the negotiations on the basis of the approach recommended in the presentation made to the Board at this meeting.



181.

**BUSINESS UNIT REPORTS**

182.

**Lower Churchill Update**

E. Martin provided a brief update on the Lower Churchill Project.

183.

**Strategic Planning and Business Development Update**

E. Martin advised that the Share Purchase Agreement with respect to the transfer of shares of the Bull Arm Site Corporation from the Province to the Corporation which has been executed by the Province and needs to be executed by the Corporation to become effective.

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

**WHEREAS** the Government of Newfoundland and Labrador has requested that Nalcor Energy accept the transfer to it of the shares of Bull Arm Site Corporation ("BASC"); and

**WHEREAS** on November 21, 2008 the Board was provided with a report on the due diligence review carried out by the Corporation with respect to the acquisition of the shares of BASC; and

**WHEREAS** the Board has reviewed the Share Purchase Agreement pursuant to which the Corporation agrees to purchase all of the shares of BASC from the Government of Newfoundland and Labrador ("Share Purchase Agreement").

**THEREFORE BE AND IT IS HEREBY RESOLVED:**

**THAT** the acquisition by Nalcor Energy of all of the shares of BASC issued and outstanding, be and it is hereby approved; and

**BE IT FURTHER RESOLVED:**

**THAT** Nalcor Energy is hereby authorized to execute the Share Purchase Agreement; and

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**BE IT FURTHER RESOLVED:**

**THAT** the name of BASC be changed to "Nalcor Energy – Bull Arm Fabrication Inc." and that the appropriate action be undertaken by the Corporation to affect the name change.

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

**THAT** upon its acquisition of the shares of Bull Arm Site Corporation ("BASC"), that Nalcor Energy appoint the following persons to be Directors of BASC:

John Ottenheimer, Chair  
Cathy Bennett  
Tom Clift  
Ed Martin  
Gerry Shortall  
Bill Fanning  
Mike Mulrooney

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

184.

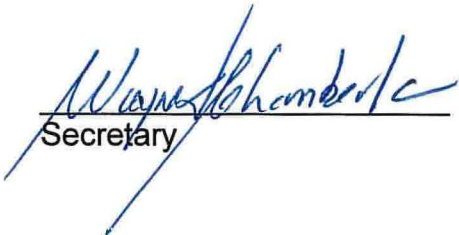
**IN CAMERA**

Messrs. Martin, Sturge and Chamberlain returned to the meeting after conclusion of in camera meeting. The Chair advised that there were no matters requiring any further discussion.

185.

**ADJOURNMENT**

There being no further business the meeting was adjourned to Friday, April 24, 2009.

  
Secretary



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Verified at a meeting held on

April 29, 2009

S. L. O. H. - m

Chair

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***ACTION LIST***  
**November 21, 2008**

|                              |   |                  |                           |
|------------------------------|---|------------------|---------------------------|
| <b>November 21,<br/>2008</b> | <b>Management to provide a<br/>presentation on historical<br/>information on oil and<br/>pricing in the oil<br/>commodity market (#124)</b> | <b>E. Martin</b> | <b>Future<br/>Meeting</b> |
|------------------------------|---|------------------|---------------------------|