

MINUTES OF THE THIRTY-SECOND MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON WEDNESDAY, NOVEMBER 10, 2010 AT 10:00 A.M.

Present in Person: J. Ottenheimer, Chair
C. Bennett
T. Clift
K. Marshall
E. Martin

Present by Telephone: G. Shortall

Secretary (acting): P. Hickman

424. CONSTITUTION OF THE MEETING

A quorum of Directors being present, the meeting was duly called for the transaction of business.

425. SAFETY MOMENT

Mr. Hickman provided a safety moment.

**426. DISCUSSIONS WITH EMERA
RE: LOWER CHURCHILL PROJECT**

Mr. Martin outlined the status of the discussions with Emera relating to a Term Sheet with respect to the Lower Churchill Project. He reported that Emera has agreed to use Nalcor's Term Sheet, which is more detailed than that which Emera had been proposing. He then outlined the three outstanding issues which the two parties are continuing to discuss. The first relates to the governing law. It has been agreed that Newfoundland and Labrador law will govern the aspects of the project located in Newfoundland, but Emera's position is that a portion of the project outside of Newfoundland and Labrador should be governed by Nova Scotia law. Nalcor wants the entire project to be governed by Newfoundland law.

32nd Nalcor Energy Board Meeting
November 10, 2010
Page 2 of 5

Secondly, Nalcor has stated that it wants a clause in the Term Sheet stating that if a Government entity takes over Emera, then Nalcor will take control of all aspects of the project. Emera have agreed with this, but their lawyers have indicated that there may be some difficulties with this.

The third outstanding issue relates to the risk/cost of the project. He stated that he would address this issue later in the meeting.

Mr. Martin stated that the concept of the agreement between the two parties is basically the same as that which he outlined at the previous meeting with the Board of Directors. He then reviewed the presentation entitled "Presentation to Board of Directors Update on Negotiations with Emera". He referred to a map of Eastern Canada and Northeast United States which was included in the presentation. In referring to the map, he outlined the basic concepts of the project, the route of the various transmission lines, etc. He then noted the slide in the presentation showing the various successful sub-sea cables that are in use in Scandinavia and Europe.

Mr. Martin then reviewed the summary of the deal which was outlined on slide nine of the presentation. One of the key elements of the deal is that Nalcor will build and own 100% of Muskrat Falls, and will construct the Island link and retain approximately 75%-80% ownership of it, with an ability to take 100% at its option. As well, the Corporation will have the opportunity to invest in other Emera projects. Emera will build and own 100% of the Maritime Link, however, ownership will revert to Nalcor after 35 years. Mr. Martin emphasized that Nalcor will always retain at least 51% controlling interest in the overall transmission system. As well, under the deal Nalcor will receive favourable sales arrangements to Nova Scotia and access to Nova Scotia transmission through to New Brunswick, PEI and New England. He stated that Nalcor will have decision making control on all elements of the project. Other key points relating to the

32nd Nalcor Energy Board Meeting
November 10, 2010
Page 3 of 5

deal are that Newfoundland and Labrador's power needs will be met until 2041, Newfoundland and Labrador will have approximately 98% renewable energy from an electrical generation perspective and the project will generate a return of greater than 9% IRR.

Mr. Martin outlined some details relating to Nalcor's access to Nova Scotia transmission line capacity through Nova Scotia, New Brunswick and in New England. He then outlined details of the arrangement with respect to Nalcor taking ownership of the Maritime Link after 35 years.

Mr. Martin explained that there are some "off ramps" throughout the process whereby a party may decide that the deal does not work for them. Also, the Maritime Link costs to be included in the Nova Scotia rate base will have to be approved by the Nova Scotia Public Utilities Board. If either party decides that it is not going to proceed with the project, Nalcor may continue with the Muskrat Falls only project, with an Island link. As been noted before, this project is considered to be the next best generation source for the Island, so the construction of Muskrat Falls would still proceed even if the Maritime Link did not..

Mr. Martin then reviewed a presentation entitled "Update on Negotiations with Emera". He reviewed the cost risk associated with the various aspects of the project, those aspects being the construction of the Muskrat Falls Generation Plant, the construction of the Island Link and the construction of the Maritime Link. He stated that Newfoundland and Labrador/Nalcor wants to retain the "go/no go" decision with respect to the Maritime Link, in the event that cost overruns are not covered by the Nova Scotia rate payer. He stated that it is this point which is the third outstanding issue which he referenced earlier in the meeting.

32nd Nalcor Energy Board Meeting
November 10, 2010
Page 4 of 5

Mr. Martin then reviewed a presentation entitled "Cost Risk Sharing on Maritime Link". In reviewing the presentation, Mr. Martin highlighted the target levels of Maritime Link Risk for both Nalcor and Emera. He then reviewed the Control Processes which could be put in place to control the risks for the two parties. These consisted of project execution processes, voting protocol on key decisions and audit rights.

Mr. Martin then outlined a proposal which he made to Emera with respect to cost overruns on the Maritime Link after construction of the link has been sanctioned. His proposal was that the contingency would cover the first 15% of any overrun, the rate payers of Nova Scotia up to costs accepted by the Nova Scotia Public Utilities Board, Emera the next 5%, Nalcor the next 5% and then a 50/50 share by the two parties of any further overruns. Mr. Martin stated that this proposal was made to Emera earlier that day.

Mr. Martin then returned to the presentation entitled "Update on Negotiations with Emera" and reviewed further slides on the risk sharing structure, including other possible fall back positions with respect to risk sharing related to cost overruns. He noted that the government has seen the same presentations and supports the approach being undertaken by the negotiating team.

The Board discussed the cost estimates that have been carried out on the various elements of the project. Mr. Martin stated that these undoubtedly have to be redone to ensure more certainty, but he is confident that they are sufficiently accurate at this stage. However, the final decision on sanctioning the project will incorporate estimates based on even more detailed engineering.

The Board stated that it is fully supportive of the deal as outlined by Mr. Martin both at this meeting and the previous meeting of the Board. It provided him with approval to sign a Term Sheet on the basis of the details of the deal that he has

32nd Nalcor Energy Board Meeting
November 10, 2010
Page 5 of 5

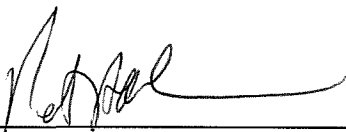
outlined to the Board. This was on the understanding that final Board approval is required subsequent to the signing of the Term Sheet. As well, the Board would like to receive more detail and information with respect to various aspects of the deal prior to it providing final approval. In addition, it was agreed that if there is any major change in the deal as outlined by Mr. Martin, then he would ask that the Board meet with him again prior to him signing the Term Sheet.

Mr. Martin noted that Nalcor/Newfoundland and Labrador is still pursuing a loan guarantee from the Federal Government with respect to this project, which if it were obtained would make it more attractive. He noted that the numbers he has outlined to the Board do not include any loan guarantee from the Federal Government. As well, he noted that the environmental panel reviewing the Lower Churchill Project has asked for more information on those arrangements.

Finally, the Board asked Mr. Martin to pass on their gratitude to the members of the negotiating team, as they appreciate the hard work that the team members are undertaking in relation to the negotiation of the Term Sheet with Emera.

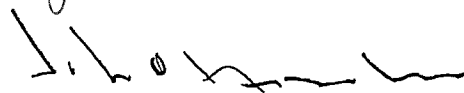
427. TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

Jan. 19, 2011


Chair