

**MINUTES OF THE THIRTY-THIRD MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON TUESDAY, NOVEMBER 16, 2010 AT 3:00 P.M.**

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

**Present by Telephone:** G. Shortall

**Present by Invitation:** D. Sturge, VP Finance & CFO  
G. Bennett, VP Lower Churchill Project

**Present for Part of the Meeting:** P. Harrington, Project Manager, Lower Churchill Project

**Secretary (acting):** P. Hickman

**428. CONSTITUTION OF THE MEETING**

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

**429. SAFETY MOMENT**

Mr. Hickman provided a safety moment.

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

Mr. Martin informed the Board of Directors that discussions with Emera Inc. relating to a Term Sheet with respect to the Lower Churchill Project were successfully concluded earlier in the day. He reported that the terms of the agreement reached by the two parties are essentially as he outlined previously to

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the Board and he further stated that in his opinion Nalcor achieved what it had set out to do with regard to the discussions.

Mr. Harrington joined the meeting at this time.

Mr. Martin stated that Nalcor has reached Decision Gate 2 in the decision gate process relating to the Lower Churchill Project. This gate does not involve the sanctioning of the project but rather consists of approval by the Board of concept selection and for the Corporation to proceed towards sanction, which is Gate 3. He stated the Board would again be involved in the decision gate process at Gate 3.

Mr. Martin asked Mr. Harrington to provide the Board with information and background in relation to Gate 2 of the decision gate process.

Mr. Harrington explained the process relating to Decision Gate 2. He highlighted the documentation that had been produced, as well as the process involved in the production of information included in the documentation. He then outlined the independent project review team process which had been carried out. This involved four people who were at the time independent of the Lower Churchill Project. Combined these four individuals have over 160 years of project experience, which he outlined in more detail to the Board. These individuals reviewed all of the information relating to the Project that had been produced and confirmed that the Lower Churchill Project is ready to proceed through Gate 2. They were high in their praise as to the readiness of the Project to take that next step and were impressed with where the Project is in relation to Gate 2.

Mr. Harrington also reported to the Board that an external company was retained to review the Project and its readiness to proceed through Gate 2. That company has a large database of other projects to which it could compare the

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Lower Churchill Project. That company was also very positive in its assessment and is of the opinion that the Project is ready to proceed through Gate 2. Mr. Harrington also noted that appropriate sign-off has been obtained from all internal personnel.

It was noted that the decision to proceed through Gate 2 relates to Muskrat Falls and the Island Link only at this point in time. Additional work and analysis is required with respect to the Maritime Link and when that project is fully positioned to proceed through Gate 2, the Board will be asked to approve that step.

Mr. Harrington left the meeting at this time.

Mr. Bennett then reviewed the technical aspects of the Project involving Nalcor Energy and Emera Inc. He outlined how the electrical system will look and its basic location through Labrador and Newfoundland. He outlined the capacity and voltage of the Island link and the Maritime link.

Mr. Bennett stated that there are three components to the Maritime Link. The first is the equipment and structures which will be located in Newfoundland. The second component is located in Nova Scotia which will involve similar equipment and structures as that which is located in Newfoundland. The third component is the sub-sea cable portion of the link. The most significant risk related to cost overrun of the Maritime Link largely involves weather and other conditions that may be experienced during the installation of the sub-sea cable.

Mr. Bennett described how the Maritime and Island links will integrate into the Island grid.

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Mr. Sturge outlined who was involved in the negotiation on behalf of Nalcor, the roles they played and expertise they brought to the table. He noted also the representatives of the Government involved in the negotiations. He noted that Nalco also had a "cold eyes" due diligence team review the term sheet at appropriate steps along the way.

Mr. Sturge then reviewed the deal from a financial point of view. He stated that although Nalcor is taking on some risk with respect to this project, a key point is that the two main sales of energy, those being to Newfoundland and Labrador Hydro and Emera Inc., will be regulated sales and therefore have a very low risk associated with them.

Mr. Sturge then reviewed Appendix D of the Term Sheet entitled "Additional Investment". This section deals with Emera's investment in the Island Link. It was noted that the cost of the entire Island Link will be included in the NLH rate base. This is tied back to Muskrat Falls being the least cost option for the next generation source for the Island. The upgrades on the West Coast of the Island will not be part of the NLH rate base but is intended to be part of Nova Scotia Power's rate base. Mr. Sturge then discussed the Nova Scotia regulatory aspect of the arrangement.

Mr. Martin noted that it has been agreed by the parties that the Term Sheet could be a public document.

The Board inquired as to the implications for the Holyrood Generating Station arising out of this Project. Mr. Martin stated that Holyrood would remain available for a short period of time to ensure the new system is fully commissioned, at which time the thermal portions of the plant would be retired, leaving only the synchronous condensers operational. He stated that employees in Holyrood are

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aware that it is a distinct possibility that the Plant will be closed as a result of this Project.

Mr. Martin then distributed information to the Board outlining the dividends for the three options as discussed earlier and the net book value of the three options and the equity IRR of these options. He also included information on Newfoundland and Labrador Hydro Island regulated revenue requirements in the isolated island scenario versus the Muskrat Falls with the Labrador interconnection scenario. It also contained information on the Island electricity requirements by source and the Island-Labrador electricity supply balance. Finally, Mr. Martin reviewed the chart included in the information which showed projected oil prices for the next 30 years.

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

**THAT** be and it is hereby approved that Nalcor Energy move through Gate 2 of the Lower Churchill Project and proceed towards sanctioning of the Project, that being the construction of Muskrat Falls Generating Station and an Island Link.

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

**THAT** Management is hereby authorized to negotiate and conclude final agreements with Emera based on the Term Sheet presented to the Board in its meeting of November 16, 2010;

**THAT** the Board of Directors hereby endorses the configuration of the Project and the way forward outlined in the Term Sheet; and

**THAT** the Board authorizes the Chairman to notify the Shareholder to inform them that the Board of Directors fully endorses the configuration of the Project, that being the construction of Muskrat Falls Generating Station, Island Link and the Maritime Link, with the involvement of Emera

Inc., as outlined in the Term Sheet and recommending that the Term Sheet be executed.

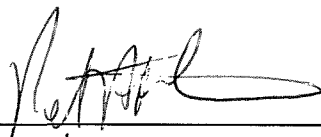
The Board of Directors requested Mr. Martin to express the extreme gratitude of the Board to the members of Nalcor's negotiating team. They congratulated Mr. Martin and his team on a job well done.

Mr. Martin explained to the Board that he shared leadership of the Nalcor Team with Mr. Bennett and Mr. Sturge during the negotiations. He stated the Mr. Bennett and Mr. Sturge showed tremendous leadership during the negotiations and personally thanked them for their support and involvement.

Finally, Mr. Martin reminded the Board that this project is only Phase 1 of the development of the Lower Churchill. He stated that the Lower Churchill Development Team will continue to focus on the development of the Gull Island portion of the Project.


**431. TERMINATION**

There being no further business, the meeting was terminated.

  
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Secretary

Verified at a meeting held on

Jan. 19, 2011

  
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Chair