

MINUTES OF THE THIRTY-FIFTH 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, JANUARY 19, 2011 AT 08:30 A.M.

Present: J. Ottenheimer, Chair
C. Bennett
T. Clift
K. Marshall
G. Shortall

Absent: E. Martin

Present by Invitation: D. Sturge, Vice-President
Finance and Chief Financial Officer
J. MacIsaac, Vice-President Project
Execution and Technical Services
J. Keating, Vice-President Oil and
Gas

Secretary: W. Chamberlain

436. CONSTITUTION OF THE MEETING

Notice of the meeting was forwarded to Directors on December 20, 2010. A quorum of Directors being present, the meeting was duly called and validly constituted.

Mr. Sturge joined the meeting.

437. SAFETY MOMENT

Mr. Chamberlain provided a safety moment on 8 tips for working safely in winter.

438. VERIFICATION OF MINUTES

A copy of the minutes of the **TWENTY-NINTH, THIRTIETH, THIRTY-FIRST, THIRTY-SECOND** and **THIRTY-THIRD** meetings of the Board of Directors of Nalcor Energy held on September 24, 2010, October 8, 2010, November 2,

2010, November 10, 2010 and November 16, 2010 were included in the meeting papers circulated prior to the meeting.

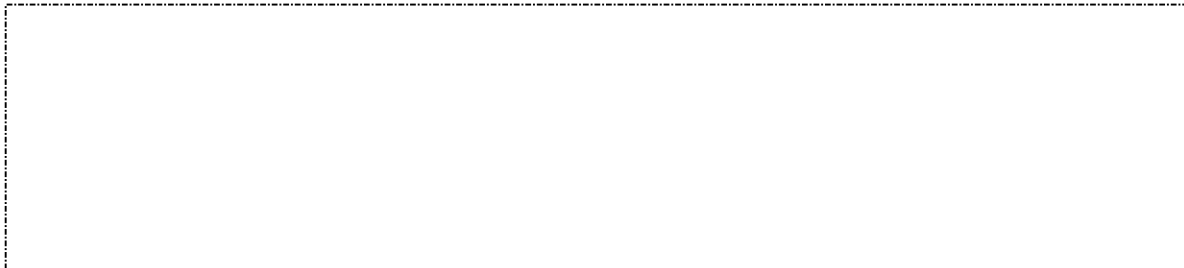
On motion duly made by Mr. Shortall, seconded by Mr. Marshall and unanimously carried, it was resolved:

THAT the minutes of the **TWENTY-NINTH, THIRTIETH, THIRTY-FIRST, THIRTY-SECOND** and **THIRTY-THIRD** meetings of the Board of Directors of Nalcor Energy held on September 24, 2010, October 8, 2010, November 2, 2010, November 10, 2010 and November 16, 2010, 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 the minutes by signing the Minute Book.

439. BUSINESS ARISING

Mr. Marshall asked about the status of Labrador industrial rates and Mr. Sturge advised that the corporation provided its comments to Government and has not received any further communication.



440. BOARD COMMITTEE REPORTS

441. Audit Committee

Mr. Shortall reported that the Audit Committee approved the 2010 External Audit Plan and external audit fees proposal was reviewed and were reasonable. There was a review of upcoming IFRS milestones and the adoption by CF(L)Co and NL Hydro of the average service life methodology of depreciation and the external auditors were satisfied with the IFRS conversion to date. There was also an

update on Enterprise Risk Management similar to that included in the Board papers and the Committee recommends approval of the ERM Committee terms of reference. He also noted that an overview of Information Systems was also provided and the Internal Audit Reports were reviewed.

442. Safety, Health & Environment Committee

Ms. Bennett reported that the Committee met on October 25, 2010 and was provided with an update with respect to safety and environmental matters. She advised that as a result of recent incidents related to the King Air and helicopters operated by contactors that it was felt that the current air travel processes should be reviewed and it was agreed that Mr. Nelson Pilgrim would be asked to attend the next meeting to review existing air travel policies.



The Committee will be reviewing the Committee mandate to ensure that it is performing and completing its responsibilities relating to safety, health and environmental activities of the Nalcor companies.

443. FINANCIAL REPORT

444. Financial Summary

Mr. Sturge reviewed the 2011 Financing Plan that was included in the Board papers distributed prior to the meeting. He advised that the Financing Plan was a 2011/2012 investment and financing plan that is consistent with previous years whereby we are seeking a Shareholder equity investment and looking to reduce

debt. There was discussion whether the Corporation should be looking to draw down the remaining Shareholder equity investment that was approved for 2010/2011.

He advised that there was no significant growth in cash flow in 2011 and that there will be significant Lower Churchill Project expenditures. The expectation is that financing will be in place for the Lower Churchill Project in 2012.

Mr. Sturge advised that the Financing Plan provides for continued suspension of the dividend payment and that if Government is looking for a debt guarantee fee that it be based on a market-based methodology.

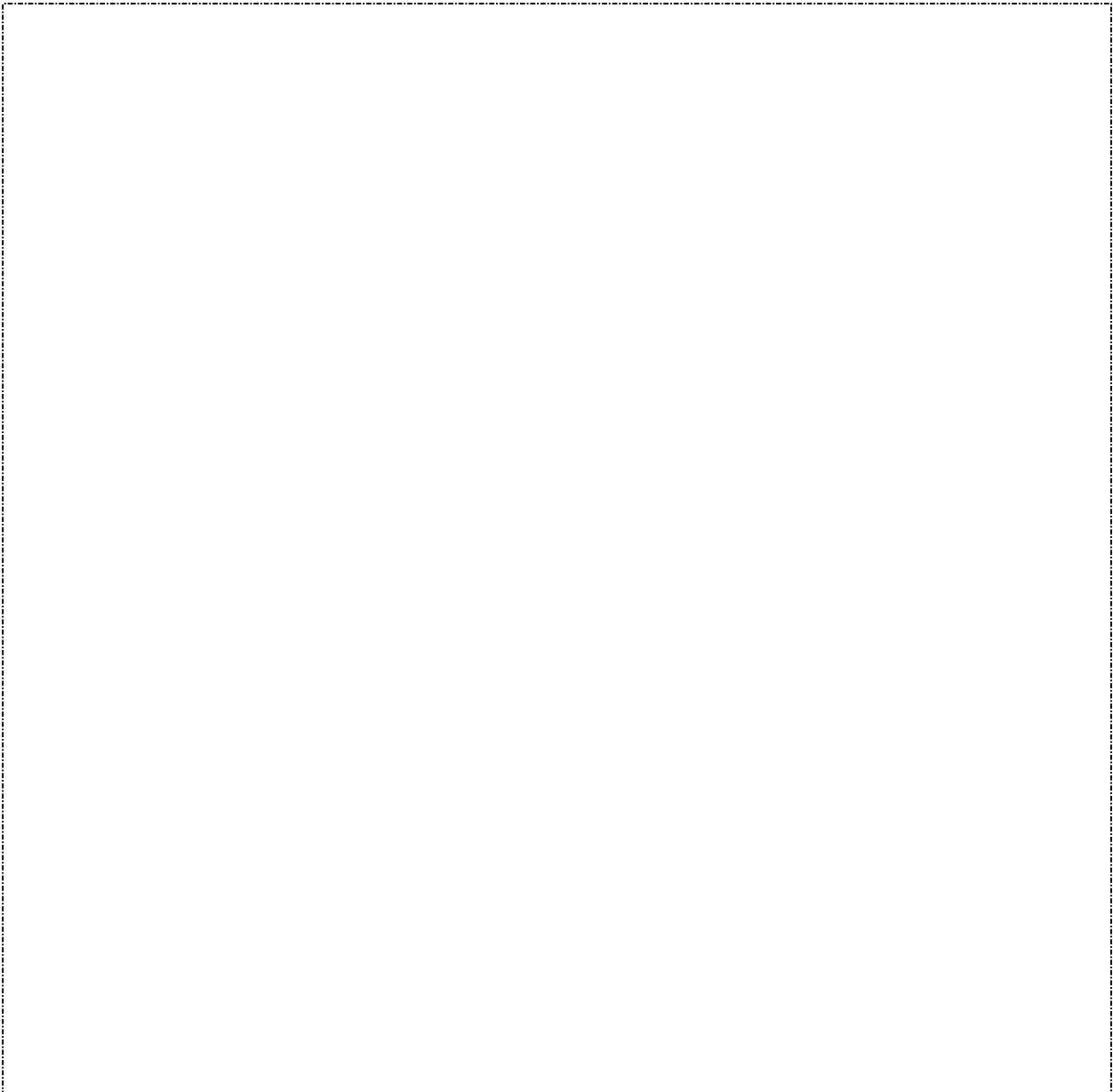
He reviewed the financing strategy and corporate financing structure and advised that the corporate credit facility would be converted to an operating line for costs savings and to reduce longer term debt. He also reviewed the investment and financing summary which outlines where the equity investment will be applied.

Ms. Bennett questioned that there is an investment referred to as other costs for a total of \$31 million and she wondered if that related to Bull Arm and if not, what the other included. Mr. Sturge advised that it is non-regulated and would provide more detail.

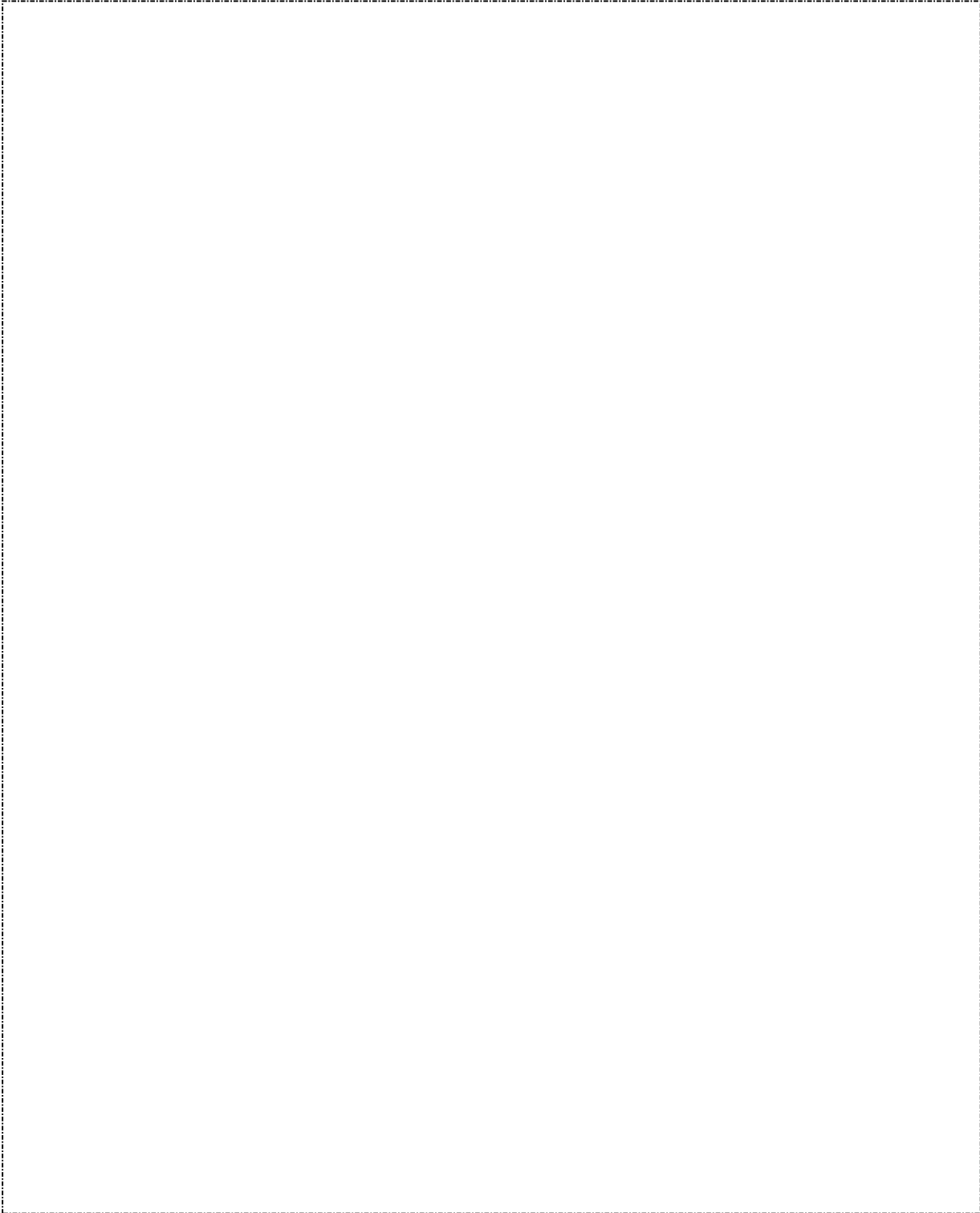
Mr. Sturge reviewed the oil and gas investment summary and the cumulative equity investment and confirmed that meetings have been held with the Shareholder and he is comfortable that the forecast for 2011/12 is appropriate. He also reviewed the estimate of what the Government debt guarantee fee would be if it was calculated on a market-based approach and noted that it would be less than half of the current fixed fee.

It was agreed that Management proceed with the Financing Plan and approach the Shareholder seeking the equity investment identified in the Financing Plan; the release of the remaining equity investment relating to the 2010/2011 original approved equity investment; adoption of a market-based methodology for the debt guarantee fee for Newfoundland and Labrador Hydro and to continue the suspension of the payment of Nalcor dividends.

445. 2011 Financial Risk Management Plan



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446. 2011 Operating and Capital Budgets

Mr. Sturge reviewed the Budget Review 2011 that was included in the Board papers and distributed prior to the meeting. He reviewed the consolidated summary and the key assumptions with respect to each of the lines of business. He noted that as a result of a change in the discount rate there was a significant impact with respect to the actuarial evaluation of employee future benefits resulting in an increase of \$4.6 million from the 2010 Budget.

He advised that Nalcor consolidated has deferred the adoption of IFRS for one year to January 1, 2012 and all consolidated information will be presented in accordance with Canadian GAAP. He noted that several Nalcor subsidiaries including CF(L)Co, TWINCO, Nalcor Oil and Bull Arm Fabrication will be and are required to report under IFRS in 2011.

He reviewed the remainder of the Budget Review 2011 and noted that with respect to energy marketing it is important to note that the foreign exchange risk is as significant as the energy pricing risk.

On motion duly made by Mr. Marshall, seconded by Ms. Bennett and unanimously carried, it was resolved:

THAT the Nalcor Energy Operating and Capital Budgets for 2011, as tabled and initialed by the Secretary for identification, be and they are hereby approved.

447. Compliance Certificate

Mr. Sturge referred to the Compliance Certificate for the period ended October 31, 2010 which was included in the Board papers distributed prior to the meeting.

448. ENTERPRISE RISK MANAGEMENT

Mr. Sturge reviewed the Enterprise Risk Management (Current Status and Five Year Plan) that was included in the Board papers and distributed prior to the meeting. He reviewed the relevance of Enterprise Risk Management (ERM) that was included in the existing strategic issues of the Nalcor process. The ERM structure and 5 year plan were examined as well as the guideline for ERM framework development. He also advised that AON completed an assessment of our management of risk and identified some gaps which been addressed in the ERM.

Mr. Sturge reviewed the ERM Committee Terms of Reference and the ERM RACI Matrix and in particular reviewed the Board's responsibilities.

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

THAT the ISO 31000 Standard be adopted as the framework for the further development of the Corporation's risk management capability;

AND THAT the Five Year Plan for risk management development and the Terms of Reference for the Corporate Enterprise Risk Management Committee be approved as tabled and initialed by the Secretary for identification,

be and they are hereby adopted and approved.

449. ASSET MANAGEMENT

Mr. MacIsaac joined the meeting and provided a brief overview of his experience and background. He advised that the mandate is about leadership and addressing the complexities that exist to ensure there is a safe environment for employees who take initiative in the performance of their roles and responsibilities. His group is building on a lot of good work that has been done and leveraging this to its fullest potential.

He first presented a safety moment with respect to damage to a transmission line (TL 212 Burin Peninsula) and advised that such a situation where there is a loss has two dimensions: one being that there is a responsibility to ensure the site and resulting work is safe, and secondly to ensure that infrastructure is properly maintained in spite of what impacts nature may have.

Mr. MacIsaac reviewed the Asset Management presentation that was included in the Board papers and distributed prior to the meeting and noted that the Asset Management Plan is complete. He reported on how we are organized for

success and reviewed the steps to achieve effective asset management. He noted that most assets will display some evidence of an impending failure and the purpose of asset management is to manage the status of these assets throughout the continuum of these assets. Asset management team members can clearly see the vital role they play and the importance of the interdependencies in the effective management of these assets in the short and long term and with respect to asset replacement.

He reviewed the Asset Management framework and the Asset Management organizational design and components. He advised that the focus of the asset management effort will be applied to both the CF(L)Co and Regulated Operations lines of business and will require dedicated resourcing.

Mr. Maclsaac left the meeting and Mr. Keating joined the meeting.

450. CORPORATE CHANGE MANAGEMENT PROCESS

Mr. Keating reviewed the presentation on the Corporate Change Management Process regarding oil and gas well projects that was included in the Board papers and distributed prior to the meeting. He distributed some additional documentation on management of change including Procedure for Management of Change Process,

He advised that a management of change process is a formal process that establishes procedures to ensure that health, safety and operational risks related to any proposed changes are managed properly and to enable the corporation to evaluate, authorize and document such changes before they are made to ensure proper implementation and proper closure.

Mr. Keating further advised that the management of change procedure involves everyone in order to address work control, risk assessment, risk modeling and regulatory compliance.

Mr. Clift rejoined the meeting.

Mr. Keating reviewed the categories of change and reviewed an example of a management of change that occurred with respect to

Mr. Keating left the meeting.

**451. APPOINTMENT OF VICE-PRESIDENT – PROJECT EXECUTION
AND TECHNICAL SERVICES**

On motion duly made by Mr. Shortall, seconded by Mr. Clift and unanimously carried, be it resolved:

WHEREAS pursuant to Sub-section 12(1) of the Energy Corporation Act, the Board of Directors may appoint Officers of the Corporation;

THEREFORE BE IT RESOLVED THAT John MacIsaac be and he is hereby appointed Vice-President – Project Execution and Technical Services, effective October 1, 2010.

452. OTHER BUSINESS

There was no other business.

453. NEXT MEETING

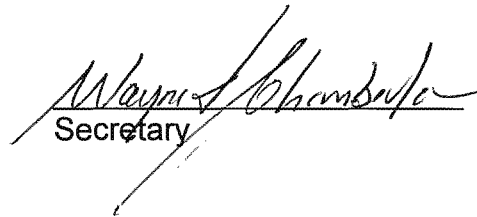
Upon reviewing the 2011 Meeting Schedule it was agreed that the next meeting would be held on March 25, 2011 and that the next Audit Committee meeting be held on March 24, 2011 in order to accommodate the schedule of some Board members. It was also requested that the next meetings of the Board of Directors of both Nalcor Energy - Oil and Gas Inc. and Nalcor Energy - Bull Arm Fabrication Inc. be moved to March 24, 2011.

454. IN CAMERA

The Chair advised that the in camera would be held at the end of the meeting of Board of Directors of Newfoundland and Labrador Hydro.

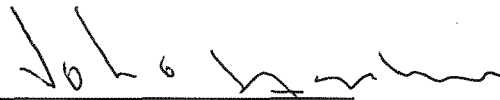
455. TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

April 1, 2011


Chairperson