

MINUTES OF THE THIRTY-EIGHTH MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, JUNE 23, 2011 AT 08:00 A.M.

Present in Person: C. Bennett, Acting Chair
T. Clift
K. Marshall
E. Martin
G. Shortall

Present by Invitation: D. Sturge, Vice-President Finance & Chief Financial Officer
J. Haynes, Vice-President Regulated Operations
G. Bennett, Vice-President Lower Churchill Project
J. Keating, Vice-President Oil and Gas
C. Kieley, Vice-President Strategic Planning and Business Development

Secretary: W. Chamberlain

488. CHAIR OF THE MEETING

In the absence of the appointment of a Chair of the Board of Directors, Ms. Bennett acted as Chair of the meeting.

489. CONSTITUTION OF THE MEETING

Notice for the meeting was forwarded to Directors on May 31, 2011. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

490. SAFETY MOMENT

491. VERIFICATION OF MINUTES

A copy of the minutes of the 37th meeting of the Board of Directors of Nalcor Energy held on April 1, 2011 was included in the meeting papers circulated prior to the meeting.

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

THAT the minutes of the **THIRTY-SEVENTH** meeting of the Board of Directors of Nalcor Energy held on April 1, 2011, as amended by the Secretary, be and they are hereby verified as being correct; and

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

492. BUSINESS ARISING

Mr. Marshall advised that after the last Board meeting the payout of performance contract payments of the President & CEO as presented to the Board was confirmed and recommended by the Compensation Committee by means of an exchange of emails.

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

THAT Management be and is hereby directed and authorized to proceed with the payout of performance contract payments to the President & CEO as presented to and recommended by the Newfoundland and Labrador Hydro Board of Directors Compensation Committee.

493. COMMITTEE REPORTS**494. Safety, Health and Environment Committee**

Ms. Bennett reported that the Committee reviewed the safety and environmental sections of the Management Report to the Committee and also received an excellent presentation on the environmental aspects related to diesel plant operations throughout the Newfoundland and Labrador system.

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495. Governance Committee

Mr. Clift advised that the Committee reviewed the current structure of the Newfoundland and Labrador Hydro Board of Directors Compensation Committee and it was agreed and recommends that the Compensation Committee should be a committee of the Nalcor Energy Board of Directors as it reviews and makes recommendations with respect to employees of Nalcor Energy and its subsidiaries.

He further advised that the Code of Business Conduct and Ethics ("Code") was intended to apply to Nalcor Energy and all of its subsidiaries and therefore recommends that the Code be reviewed and amended where necessary to address any corporate specific requirements and then be forwarded to the Board of Directors of Nalcor Energy and its subsidiary companies for review and formal approval.

Mr. Clift reported that the Committee reviewed a draft Director's charter and did not feel it was necessary but did suggest that Management include any elements of that charter into the Board of Director mandate and it will then be reviewed by the Committee at its next meeting. He also advised that a draft Work Plan of the Board of Director activities throughout the year was reviewed and it was agreed that such a Work Plan would be useful and asked that it be further developed by Management for review by the Committee.

496. PRESIDENT'S REPORT

497. 2011 Corporate Performance Report

Mr. Martin reviewed the 2011 Corporate Plan Performance Report that was included in the Board papers circulated prior to the meeting. He reviewed the corporate plan highlights and noted that matters are on track [REDACTED]

[REDACTED] Corporate safety performance is good with no lost time and 2 medical treatment injuries and noted that there has been a decline in

injuries to apprentices and temporary workers as a result of focus by the corporation on the historical injuries to these employees.

He reviewed the net income budget, actual and forecast, and the trending is favourable.

498. 2010 Annual Performance Transparency & Accountability Report

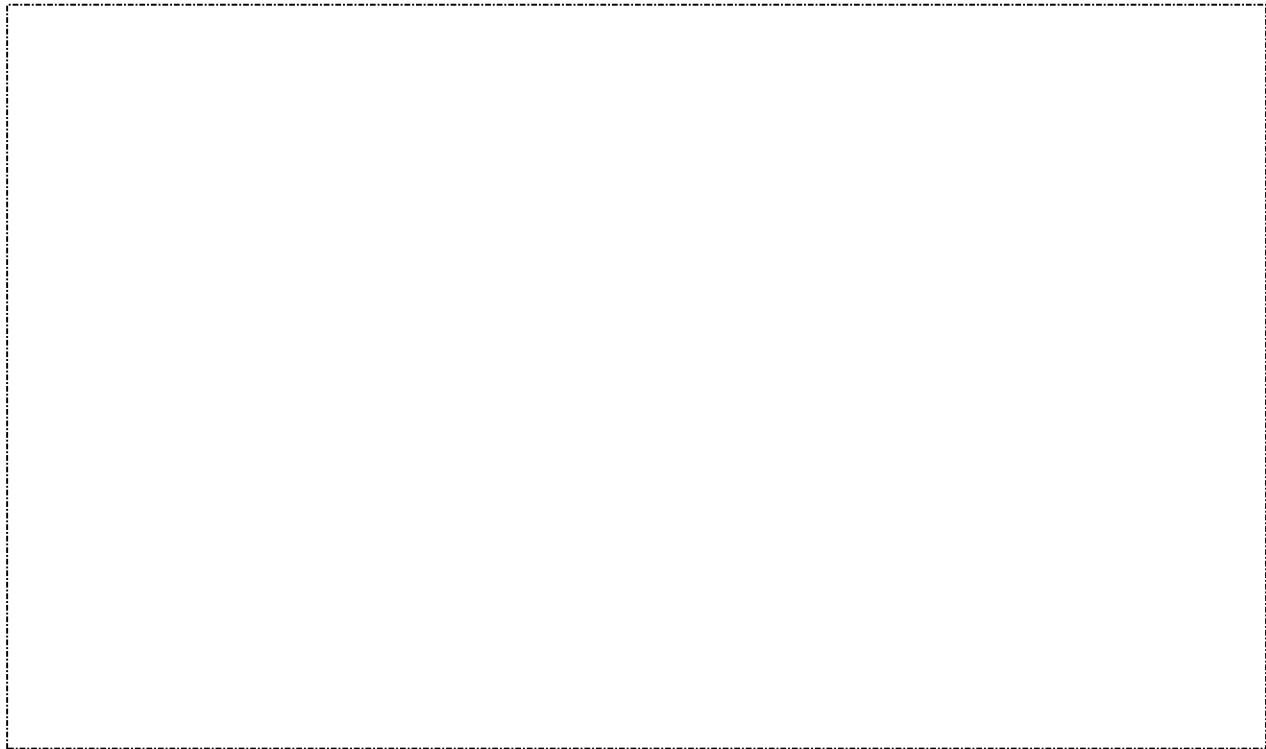
Mr. Martin advised that the report has not been finalized and will be sent to the Board members when finalized.

499. BUSINESS UNIT REPORTS

500. Newfoundland and Labrador Hydro

Mr. Haynes joined the meeting and reviewed the Newfoundland and Labrador Hydro (NLH) Report that was included in the Board papers circulated prior to the meeting. He reviewed the NLH plan highlights and noted that most items are on target. He advised that there has been a slower than anticipated uptake by industrial customers with respect to Internal Energy Efficiency programs and is lagging but internal corporate efforts are progressing well, such that it may cover the shortfall of the industrial customers by year-end.

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501.

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502.

Lower Churchill

Mr. Bennett joined the meeting and reviewed the Lower Churchill Project Report that was included in the Board papers circulated prior to the meeting. He

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reviewed the plan highlights and advised that the Generation EA Joint Panel hearings have concluded and that the report is expected to be completed soon. He advised that there were 45 days of public hearings and 18 open houses and that project information messaging has also been provided through Facebook, Twitter and a Nalcor blog.

He advised that the Innu Nation has scheduled a ratification vote with respect to the Lower Churchill Innu Impacts and Benefits Agreement and the Churchill Falls Hydro-electric Development Redress Agreement for June 30, 2011. He further advised that the Island Link EA guidelines were received a few months ago and the preparation of the Environmental Impact Statement is progressing.

Mr. Bennett reported that the injunction application commenced by the Nunatukavut Community Council (Labrador Metis) was dismissed and they have filed an appeal but no further action has been taken with respect to the appeal.

He reported that safety performance is good with zero lost time and medical treatment injuries and the field program, with respect to the Strait of Belle Isle (SOBI) cable work, will likely increase the reporting and improve upon the lead/lag ratio.

Mr. Bennett advised that the execution work is progressing well with mobilization of EPCM contractor, coordination of work with the Emera Inc. project team, planning for procurement of long lead items and the planned SOBI field season.

He further reported that an application for judicial review of a Regie decision has been filed with the Quebec Superior Court regarding fundamental issues related to Hydro-Quebec TransEnergie's (HQT) administration of its tariff. A second legal opinion has also been sought

**503. PUB INVOLVEMENT AND INDEPENDENT REVIEW UPDATE
(LCP)**

Mr. Bennett provided an update with respect to the Public Utilities Board (PUB) review and the independent reviews that are ongoing. He advised that a meeting was held with the PUB last week and we will be filing publicly available information for their review. A meeting will then be held with their independent consultant to review the processes undertaken and any disclosure of confidential or commercially sensitive information will be by means of a data room which will be subject to confidentiality and nondisclosure to third parties. The PUB will be provided with Decision Gate 2 data for the purposes of its review and their mandate is to have their review completed by December 31, 2011.

Mr. Sturge provided an update with respect to the Project financing and commercial agreements. He reviewed the three main drivers with respect to the Project financing and advised that there will be approximately 15 to 20 formal agreements with Emera with a target date for completion of November 30, 2011 and are currently exchanging a first draft of some of these agreements. Another critical agreement for the Project financing is the commercial agreement between Nalcor Energy and Newfoundland and Labrador Hydro with respect to the transmission and a term sheet with respect to same is nearly completed. Work is also progressing with respect to a federal loan guarantee for the Project.

Mr. Sturge further advised that Project financing will relate to the three elements of the Project and will be seeking a credit rating from the appropriate credit rating agencies and this work is expected to commence in August. He briefly outlined the work that will be undertaken to progress Project financing and market sounding. Mr. Bennett left the meeting.

504. BUSINESS UNIT REPORTS

505. Oil and Gas

Mr. Keating joined the meeting and reviewed the Oil and Gas Report that was

included in the Board papers circulated prior to the meeting.



506.

SEISMIC OPPORTUNITY



507.

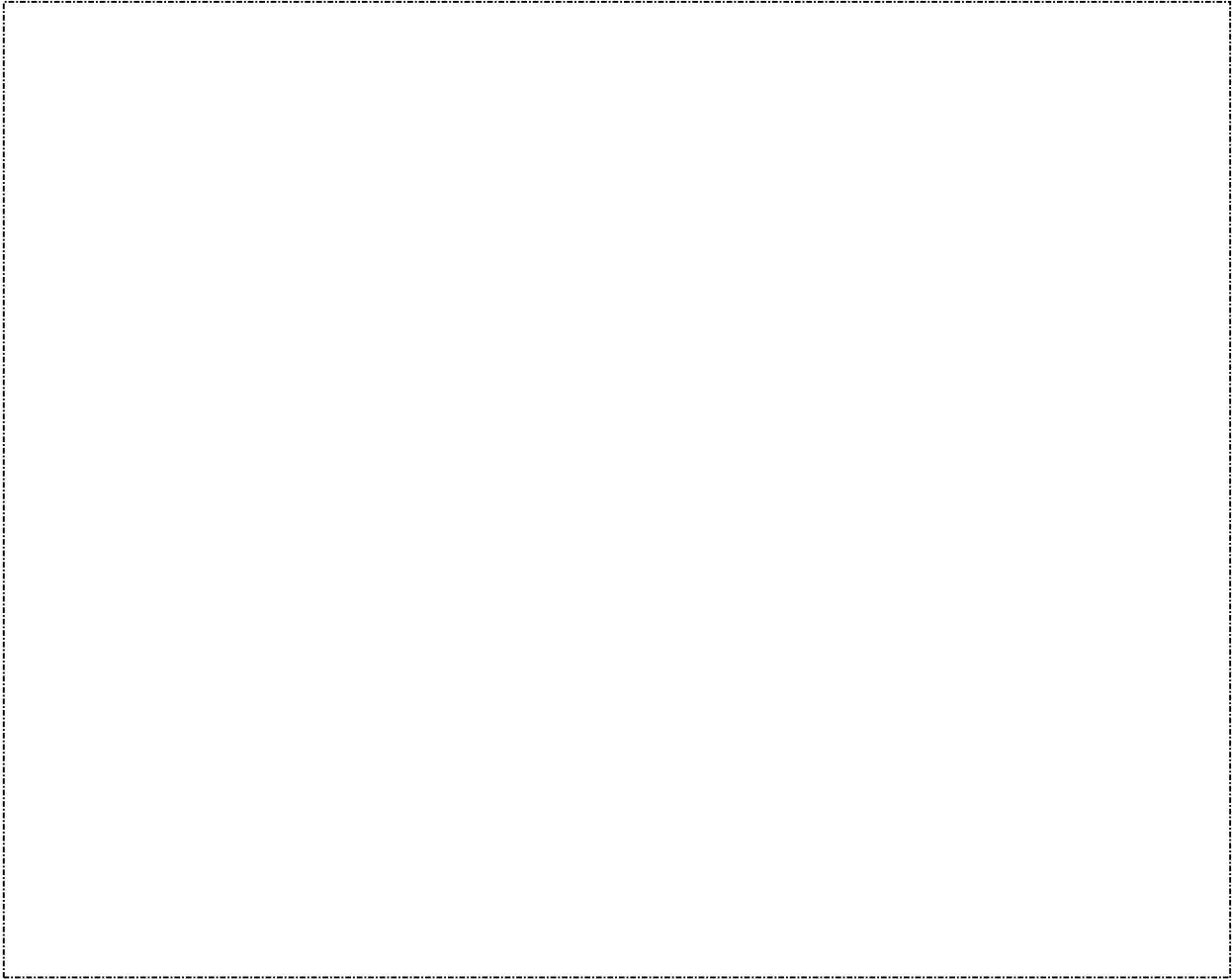
BUSINESS UNIT REPORTS

508.

Bull Arm

Mr. Kieley joined the meeting and reviewed the Bull Arm Fabrication Report that was included in the Board papers circulated prior to the meeting. He reviewed

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509.

Energy Marketing



510.

Other Activities

Mr. Kieley reviewed the Other Activities Report that was included in the Board papers circulated prior to the meeting. He reviewed the plan highlights and advised that most items are on target and noted that safety performance with respect to the Exploits Generation and Menihek facilities is progressing well. He briefly reviewed the significant events including the Bishop's Falls generation facility fire, the agreement with ENEL regarding the Star Lake facility, status of negotiations with Fortis and the collective bargaining with respect to Exploits facilities.

He reported on the status of the Labrador industrial assessments and the Ramea wind-hydrogen-diesel project and noted that this project received the 2010 Environmental Commitment Award from the Canadian Electrical Association. Mr. Kieley left the meeting.

511.

FINANCIAL REPORT

512.

Financial Summary

Mr. Sturge reviewed the Financial Report that was included in the Board papers circulated prior to the meeting. He reviewed the highlights and noted that year-to-date net income was below budget but that the annual forecast net income is expected to be above budget due primarily to increased oil and gas net income (increased production at North Amethyst, earlier than anticipated HSE first oil and increased oil prices). He then reviewed the segmented earnings of the respective business units.

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He provided an update with respect to the General Rate Application (GRA) and noted that a database of rate hearing issues has been established with over thirty issues identified at this point and summarized the significant impact issues that could have an impact on the GRA schedule. A strategy session was held in mid-June to examine the key issues and establish a plan to move forward.

Mr. Sturge also provided an update on depreciation and noted that with the adoption of the Average Service Life method of depreciation that there will be some customer rate impacts but they are not expected to be significant.

513. Compliance Certificate

Mr. Sturge referred to the Compliance Certificate for the period ended May 31, 2011 that was included in the Board papers circulated prior to the meeting.

514. UPDATE – HYDRO-QUEBEC LEGAL ACTION

**515. APPROVAL OF SHAREHOLDER RESOLUTIONS – OILCO,
BULL ARM AND GIPCO**

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Nalcor Energy-Oil and Gas Inc. ("Oilco") with respect to the following:

1. Adoption of 2010 Financial Statements;
2. Appointment of Deloitte and Touche as Auditors of Oilco;
and
3. Election of the following persons as Directors of Oilco to hold office until the next annual meeting or until their

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successors are duly elected or appointed:

Edmund Martin
Gerry Shortall
Ken Marshall
John Steele

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Nalcor Energy-Bull Arm Fabrication Inc. ("Bull Arm Inc.") with respect to the following:

1. Adoption of 2010 Financial Statements;
2. Appointment of Deloitte and Touche as Auditors of Bull Arm Inc.; and
3. Election of the following persons to be Directors of Bull Arm Inc. to hold office until the next annual meeting or until their successors are duly elected or appointed:

Edmund Martin
Cathy Bennett
Bill Fanning
Mike Mulrooney
Gerry Shortall

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Gull Island Power Company Limited ("GIPCo") with respect to the following:

1. Adoption of 2010 Financial Statements;
2. Appointment of Deloitte and Touche as Auditors of GIPCo; and
3. Election of the following persons to be Directors of GIPCo to hold office until the next annual meeting or until their successors are duly elected or appointed:

Edmund Martin
Derrick Sturge

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Jim Haynes
Gilbert Bennett

516. OTHER BUSINESS

There was no other business.

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

517. IN CAMERA

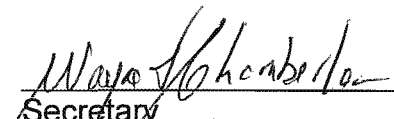
Messrs. Martin, Sturge and Chamberlain returned to the meeting after the conclusion of the in-camera session. The Acting Chair advised that there were no matters that required further discussion.

518. NEXT MEETING

The next meeting is scheduled for Friday, September 30, 2011.

519. TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on


Sept. 30, 2011

Chairperson (acting)