

**MINUTES OF THE FORTY-FIRST 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,  
SEPTEMBER 30, 2011 AT 08:00 A.M.**

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**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. MacIsaac, Vice-President, Project  
Execution and Technical Services  
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

**534. 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.

**535. CONSTITUTION OF THE MEETING**

Notice for the meeting was forwarded to Directors on September 6, 2011. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

**536. SAFETY MOMENT**

Mr. Sturge provided a safety moment on recently marked bicycle lanes on many streets in the city.

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**537. VERIFICATION OF MINUTES**

A copy of the minutes of the **THIRTY-EIGHTH** meeting of the Board of Directors of Nalcor Energy held on June 23, 2011 was included in the meeting papers circulated prior to the meeting.

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

**THAT** the minutes of the **THIRTY-EIGHTH** meeting of the Board of Directors of Nalcor Energy held on June 23, 2011, which minutes are currently before this meeting, 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.

A copy of the minutes of the **THIRTY-NINTH** and **FORTIETH** meetings of the Board of Directors of Nalcor Energy held on August 25, 2011 and September 15, 2011, were circulated by email on September 27, 2011.

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

**THAT** the minutes of the **THIRTY-NINTH** meeting of the Board of Directors of Nalcor Energy held on August 25, 2011, which minutes are currently before this meeting, 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.

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

**THAT** the minutes of the **FORTIETH** meeting of the Board of Directors of Nalcor Energy held on September 15, 2011, which

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minutes are currently before this meeting, 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.

**538. BUSINESS ARISING**

There was no business arising.

**539. COMMITTEE REPORTS**

**540. Audit Committee**

Mr. Shortall advised that the Committee reviewed and approved the Deloitte Audit Services Plan for 2011 which provided for an increase in the external audit fees from . He noted that there were good reasons for the increase which included the growth and increased level of complexity in the business. A report on enterprise risk management and the results of hedging activities were reviewed and both were found to be good. The Committee also reviewed the Internal Audit report, executive expense reports and the impact of the conversion to IFRS for some of the Nalcor companies.

**541. ESTABLISHMENT OF COMPENSATION COMMITTEE**

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

**THAT** the establishment of a Compensation Committee of the Board of Directors of the Corporation, be and it is hereby approved; and

**THAT** the following Directors be appointed as members of the Compensation Committee:

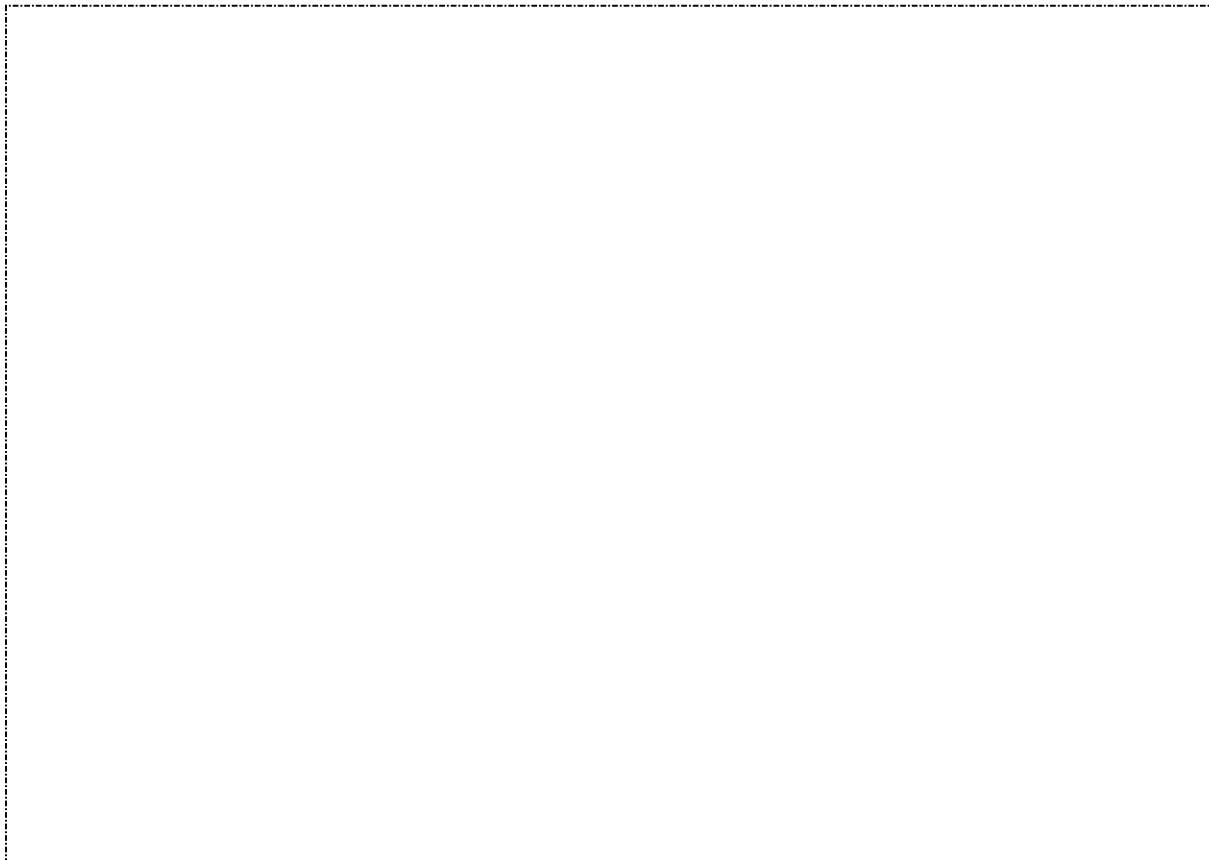
Ken Marshall, Chair  
Tom Clift

**542. PRESIDENT'S REPORT**

**543. 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 all matters are on track with the exception of the GWAC income. Corporate safety and environmental leadership targets are good and expect to meet the respective targets. The Corporation has had a solid year with respect to net income and cash from operations. He noted that asset management is progressing but some elements could benefit from a cultural lift.

Mr. MacIsaac joined the meeting and Mr. Martin reviewed his role and responsibilities with respect to project execution in the delivery of capital programs.



Mr. MacIsaac left the meeting.

**544. BUSINESS UNIT REPORTS**

**545. Lower Churchill**

Mr. Bennett joined the meeting and reviewed the Lower Churchill Report that was included in the Board papers circulated prior to the meeting. He reviewed the plan highlights and noted that most items are on target. He noted there were no injuries and there is a continuing focus on reporting. Environmental leadership targets are on schedule and advised that the recent Generation EA Joint Review Panel ("JRP") report has generated a lot of work in providing a response to Government with respect to the JRP recommendations.

He further advised that the guidelines are nearly established with respect to the Transmission EA but it has been a slow process. The Environmental Impact Statement is expected to be completed by the end of November for submission to Government as part of a comprehensive study. It is anticipated that a decision will be made in mid-2012.

He further advised that the judicial review application in Quebec re: OATT is proceeding;

He reported that the last of the open houses was recently held in CBS and that business engagement activities with respect to supplier development are progressing.

**546. Approval of Churchill Falls Redress Agreement and Lower Churchill IBA**

Mr. Martin referred to the Briefing Memo that was included in the Board papers circulated prior to the meeting and advised that Government would be

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reimbursing Nalcor for the payments with respect to the Churchill Falls Redress Agreement and will likely need an agreement with respect to payment of this funding.

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

**THAT** the Upper Churchill Redress Agreement and the Lower Churchill Innu Impacts and Benefits Agreement by the Corporation, be and they are hereby approved for execution, delivery and performance by the Corporation, including any minor amendments subsequently made by Management to these agreements.

**547. FINANCIAL REPORT**

**548. Financial Summary**

Mr. Sturge reviewed the Financial Report for the eight months ended August 31, 2011 that was included in the Board papers circulated prior to the meeting. He reviewed the highlights and noted that there were three main drivers with respect to the annual forecast net income being above budget and advised that the forecast does not include the Unit A2 work in Churchill Falls. These drivers were an increase in oil and gas net income, an increase in Energy Marketing net income and the recent determination that the disposal and replacement of the spare transformer for T6 transformer in Churchill Falls was an insurable event.

He advised that Management is currently assessing the equity requirement to year-end as a result of the forecasted additional cash flows and it will likely be less than anticipated.

Mr. Sturge reviewed the segmented earnings and noted that the financing process is about to be engaged with respect to the Lower Churchill Project ("Project"). He advised that meetings have been scheduled with rating agencies to establish a credit rating for three aspects of the Project. He further noted that the key principles on power arrangements have been established. Mr. Sturge

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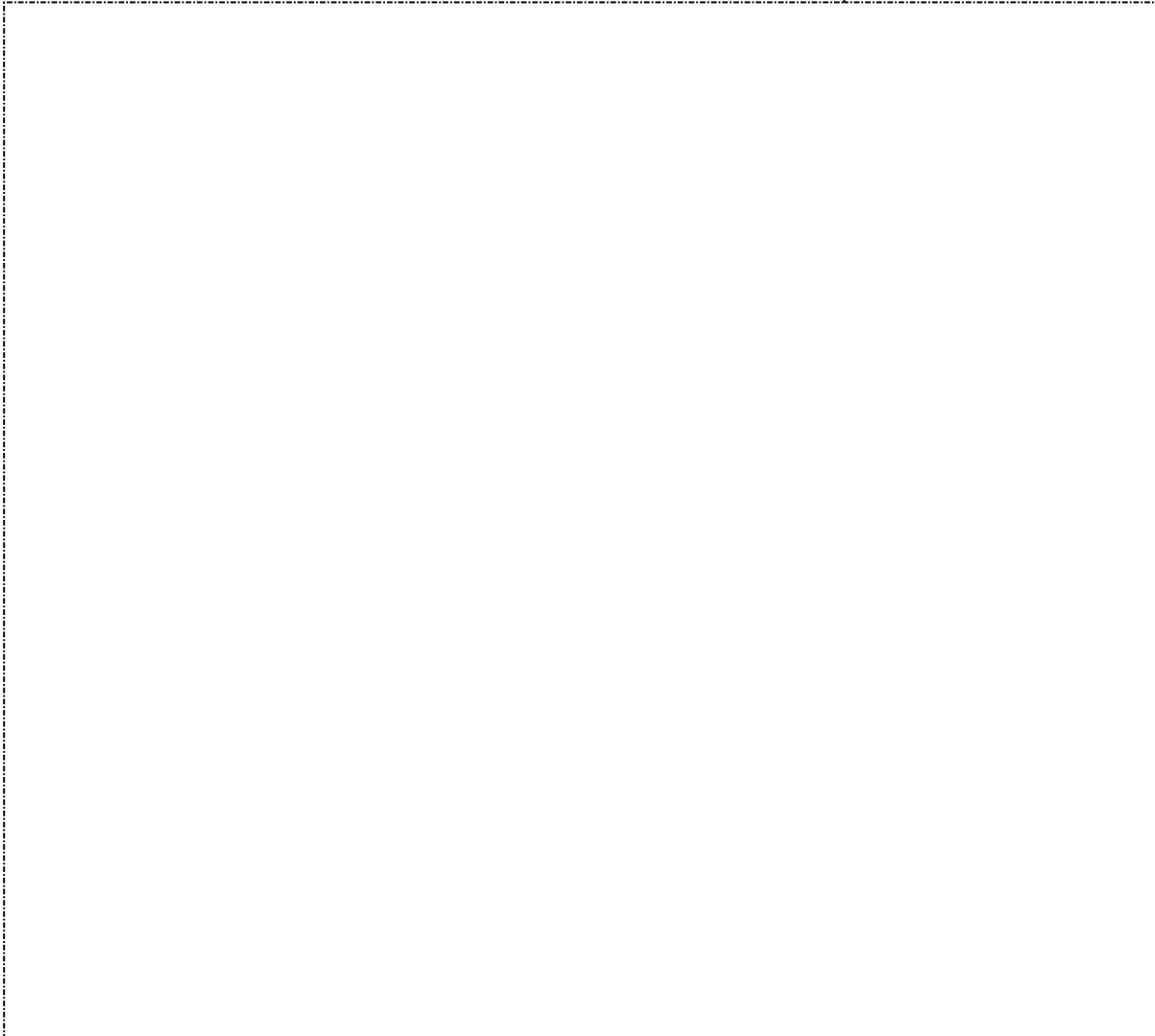
advised that the credit ratings are not planned to be made public as they will not be official ratings until a number of specified requirements are met.

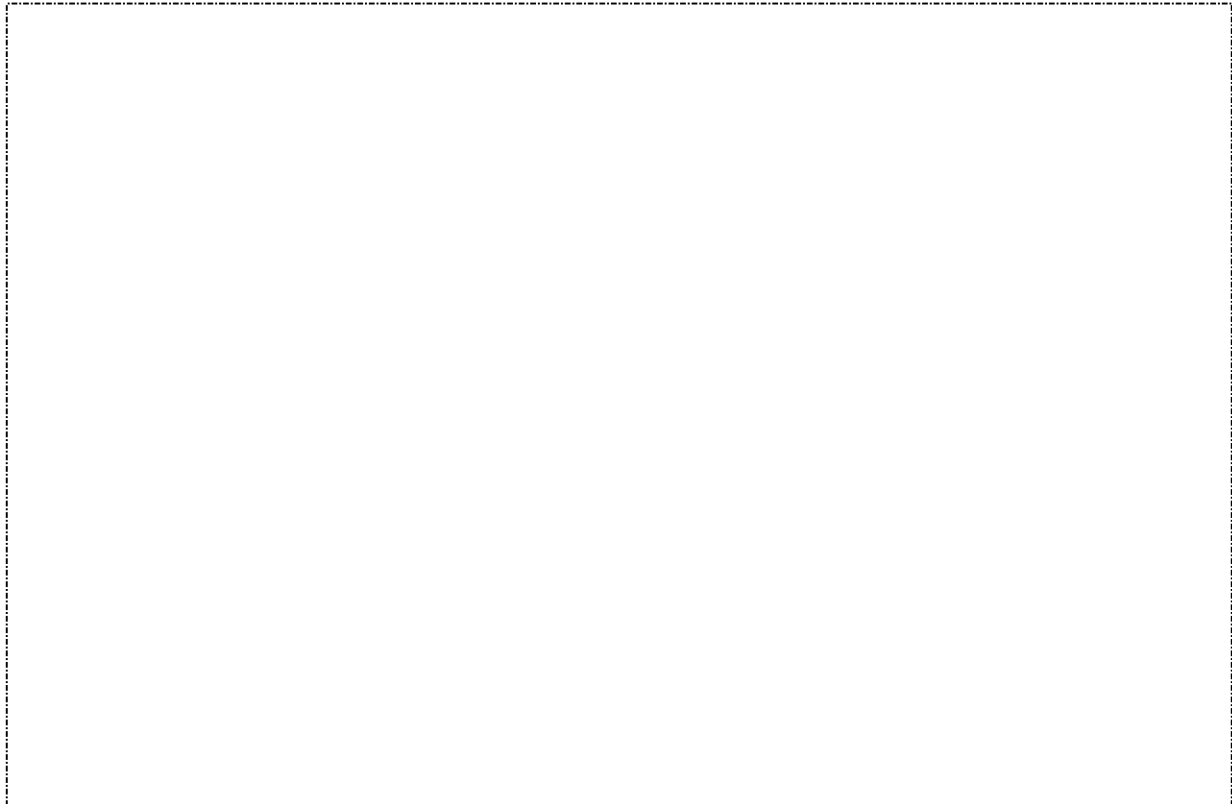
Upon reviewing Comment G of Net Income on page 5 of the Financial Report it was agreed that it should read as follows: "G. Increase primarily due to derivative cost of \$4.0 M offset primarily by a decrease in sinking fund interest of \$0.5 M, a \$0.5 M increase in AFUDC and a \$0.4 M FX gain."

**549. BUSINESS UNIT REPORTS**

**550. 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.





Mr. Keating and Mr. Sturge left the meeting.

551.

**Bull Arm Fabrication**





552.

Energy Marketing

A large rectangular area enclosed by a dashed border, which is currently empty. This area is likely intended for a detailed report or notes related to the 'Energy Marketing' section.

553.

Other Activities

Mr. Kieley reviewed the Other Activities Report that was included in the Board papers circulated prior to the meeting.

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He reviewed the key performance measures and noted that safety performance is good with zero lost time and medical treatment injuries and a lead/lag ratio above target. He advised that the tap root analysis on the Bishop's Falls fire was

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complete and the recommendations are being implemented. He provided an overview of collective bargaining advising that there has been a court challenge to a Labour Relations Board decision.

Mr. Kieley provided an overview of Labrador industrial activities including initiation of policy consultation on a Labrador industrial rates policy and responding to Labrador industrial service requests.

Mr. Kieley left the meeting.

**554. APPROVAL OF CODE OF CONDUCT**

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

**THAT** the Code of Business Conduct and Ethics presented to the Board of Directors on September 30, 2011, be and it is hereby approved to be effective June 23, 2010.

It was agreed that the Governance Committee would at a future meeting review the systems and processes related to the administration of this Code of Business Conduct and Ethics.

**555. OTHER BUSINESS**

The Secretary left the meeting with respect to a discussion regarding executive management matters. Upon returning to the meeting the Secretary was advised that the following resolution was approved.

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

**THAT** Dawn Dalley be appointed as Vice-President Corporate Relations effective October 1, 2011; and

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**THAT** the Executive Employment Agreement of Wayne Chamberlain be amended to provide that he shall have the opportunity to earn an annual bonus of up to 20% of his annual salary through an incentive plan effective January 1, 2011.

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

**556. IN CAMERA**

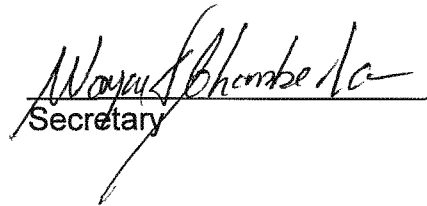
Messrs. Martin and Chamberlain returned to the meeting after the conclusion of the in-camera session. The Acting Chair advised that there were no matters that required further discussion.

**557. NEXT MEETING**

The next meeting is scheduled for Friday, November 25, 2011.


**558. TERMINATION**

There being no further business, the meeting was terminated.

  
Secretary

Verified at a meeting held on

November 25, 2011

  
Chairperson