

MINUTES OF THE FORTY-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 FRIDAY, NOVEMBER 25, 2011 AT 08:00 A.M.

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

Present by Telephone: K. Marshall

Present by Invitation: D. Sturge, Vice-President Finance & Chief Financial Officer
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

559. CONSTITUTION OF THE MEETING

Notice for the meeting was forwarded to Directors on November 3, 2011. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

560. SAFETY MOMENT

Mr. Sturge provided a safety moment on adjusting driving habits for winter road conditions.

561. VERIFICATION OF MINUTES

A copy of the minutes of the **FORTY-FIRST** meeting of the Board of Directors of Nalcor Energy held on September 30, 2011 was included in the meeting papers circulated prior to the meeting.

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

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THAT the minutes of the **FORTY-FIRST** meeting of the Board of Directors of Nalcor Energy held on September 30, 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.

562. BUSINESS ARISING

There was no business arising.

563. COMMITTEE REPORTS

564. Compensation Committee

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

THAT Cathy Bennett be appointed as a member of the Compensation Committee, be and it is hereby approved.

565. PRESIDENT'S REPORT

566. 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 the majority of matters are on track.

He also advised that the completion of the commercial arrangements with regard to Fortis have been delayed and the target has been flagged as yellow.

He reported that there have been four medical treatment injuries in the last two months and the Corporation is currently examining the root causes and has increased messaging to increase focus on safety in the completion of work in 2011.

567. 2012 Corporate Plan

Mr. Martin reviewed the 2012 Nalcor Corporate Plan Highlights Report that was included in the Board papers circulated prior to the meeting. He advised that there is a five year plan to achieve the safety objective and that if a safety target is not achieved in a given year, then it will continue to be the target for the following year. If the safety target is achieved then there would be a new safety

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target to progress toward the five year safety objective. The activities related to the Work Protection Code and work methods will be completed in 2012. Also Phase I of the Safety Coaching workshops are to be completed and Phase II started. The target for environmental leadership targets is again set at 95%.

Mr. Sturge advised that with respect to the setting of Finance targets that due to IFRS reporting standards changes, management is questioning whether net income is a proper measure or whether cash flow and other longer term measurements are more appropriate.

Mr. Martin advised that with regard to project execution improvement work that there is an excellent plan in place and there has been good improvement to date. The corporation will be completing Phase II of the project execution excellence implementation plan.

He reviewed the Operations targets and noted that the GRA was included as a result of the deferral in filing of the GRA in 2011 and the winter availability, GWAC and oil and gas targets are yet to be established.

Mr. Martin reviewed Growth opportunities and advised that the Lower Churchill Project is about growth and completing the 2012 activities for both Phase 1 and 2 of the integrated project schedules. Oil and gas will be focused on completion of the 2012 activities of the exploration strategy and Bull Arm will be looking at growth potential by confirming the multi-year engagement plan and completing the 2012 priorities. There will also be focus to conclude negotiations with Fortis and transferring the Menihek facilities to Regulated Operations.

He also noted that the Corporation will complete its best employer external benchmarking and complete the 2012 actions related to the employee opinion action plans. Shareholder and Board of Director relations plans are also to be developed.

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568.

BUSINESS UNIT REPORTS

569.

CF(L)Co

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570. 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 advised that with respect to the environmental leadership targets that one of the two targets has been completed and there is a recovery plan in place to complete the second target. He also advised that it is taking longer than expected to conclude the Island Link component studies as part of the EIS preparation and will likely be amended to respond to government's concerns.

He noted there were no lost time or medical treatment injuries and that there are challenges with reporting when not in the field but there has been steady progress on reporting.

He reviewed the significant events associated with Phase 1 including EPCM contractor mobilization, integration and coordination of and commercial negotiations with Emera, progress on long lead procurement items and early site works, completion of response to Joint Review Panel Report, responding to and submission to PUB regarding its review of Muskrat Falls, presentation to rating agencies and with respect to Phase 2, including progressing judicial review application to Regie regarding denied transmission service request, assessment of a complaint to FERC and New England markets and progressing of Maritime service requests.

Mr. Sturge provided further details on the presentation made to the rating agencies and noted that indicative ratings are expected soon but will not be able to disclose them and that final ratings would be required before going to the market for financing. He also provided a brief summary on the activities related to finalizing a commitment letter from the Province related to such matters as commitment to providing equity financing and establishment of an appropriate regulatory framework.

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Mr. Sturge suggested consideration will be given to providing the shareholder and the Board with the presentation made to the rating agencies.

Mr. Sturge also advised that good progress is being made regarding the negotiation of the commercial agreements with Emera and that it is very likely that the negotiations will not be concluded by November 30th. There are a few outstanding issues that still need to be resolved. He also provided a brief overview of the progress being made with respect to the federal loan guarantee.

A copy of the Parent Company Guarantee with respect to the Lower Churchill Project Innu Impacts and Benefits Agreement was included in the Board papers circulated prior to the meeting.

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

THAT the email approval of the Board of Directors of the execution, delivery and performance by Nalcor Energy of the Parent Guarantee with respect to the Lower Churchill Project Innu Impacts and Benefits Agreement, including any minor amendments subsequently made by Management to the Parent Guarantee, be and it is hereby ratified.

Mr. Marshall left the meeting.

Mr. Bennett advised that the Lower Churchill Project Innu Impacts and Benefits Agreement and Upper Churchill Redress Agreement were signed with the Labrador Innu and he confirmed that the agreements would apply to the Gull Island project as well.

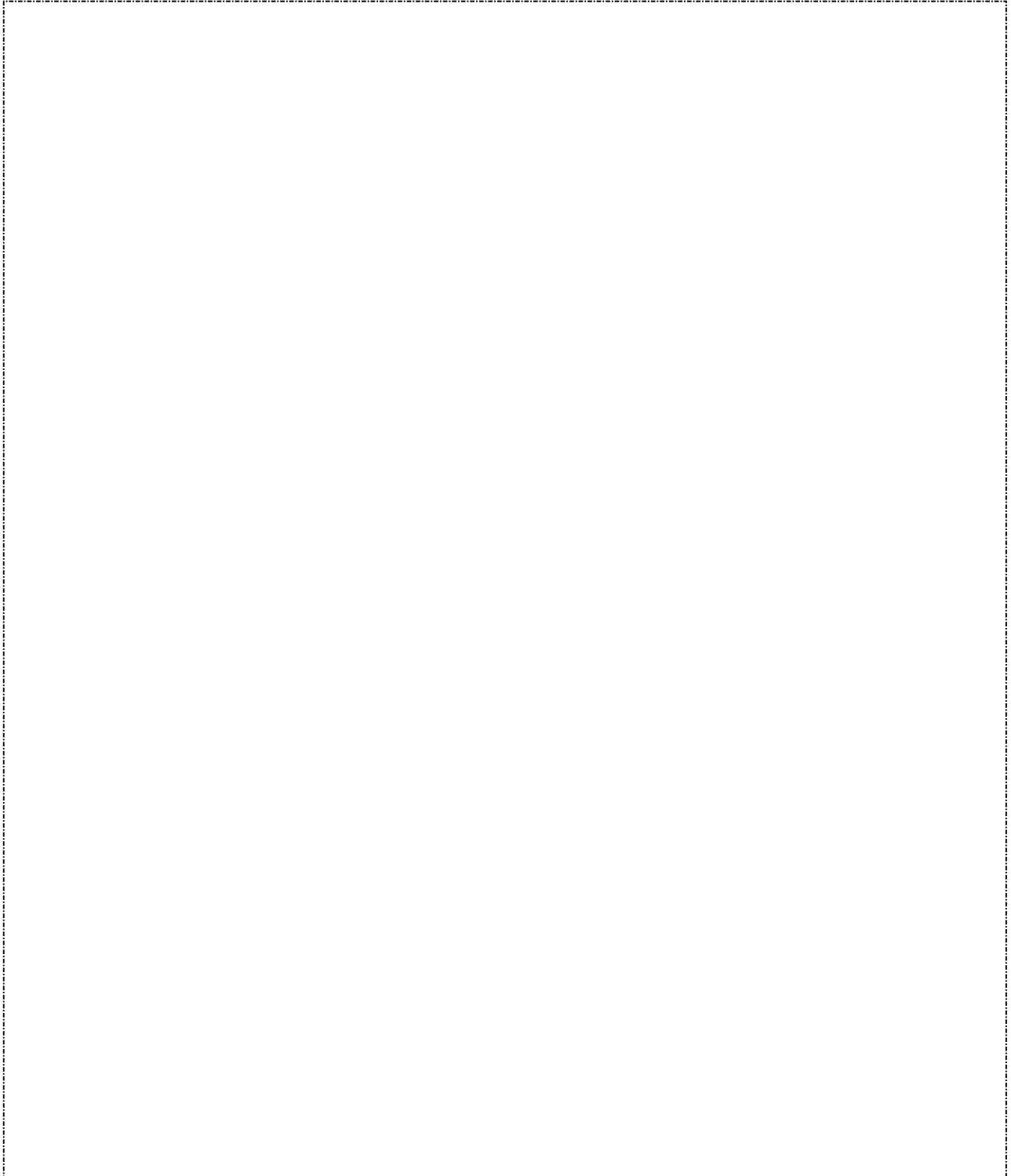
Mr. Bennett left the meeting and Mr. Keating joined the meeting.

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571.

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. He reviewed the



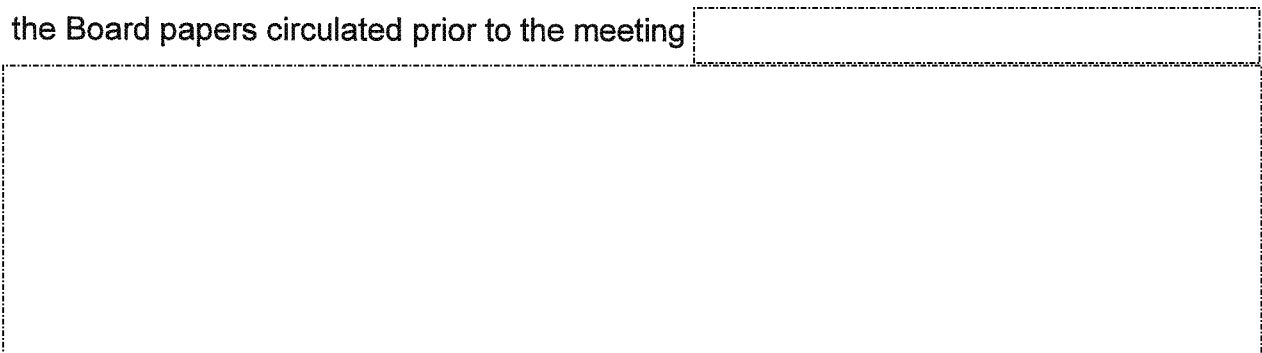
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572.

Bull Arm Fabrication

Mr. Kieley briefly referred to the Bull Arm Fabrication Report that was included in the Board papers circulated prior to the meeting



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573.

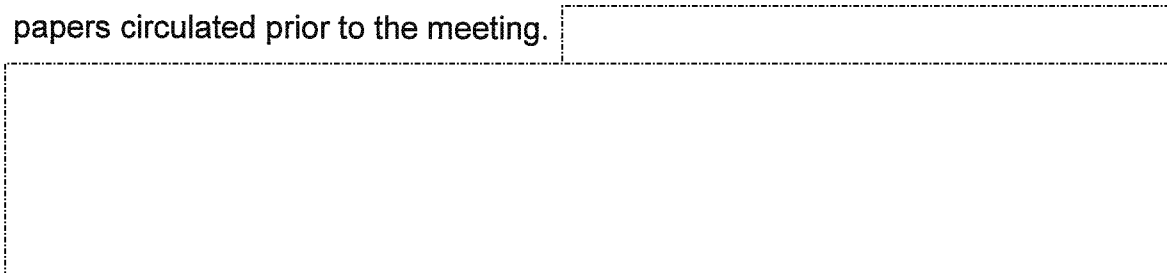
Energy Marketing

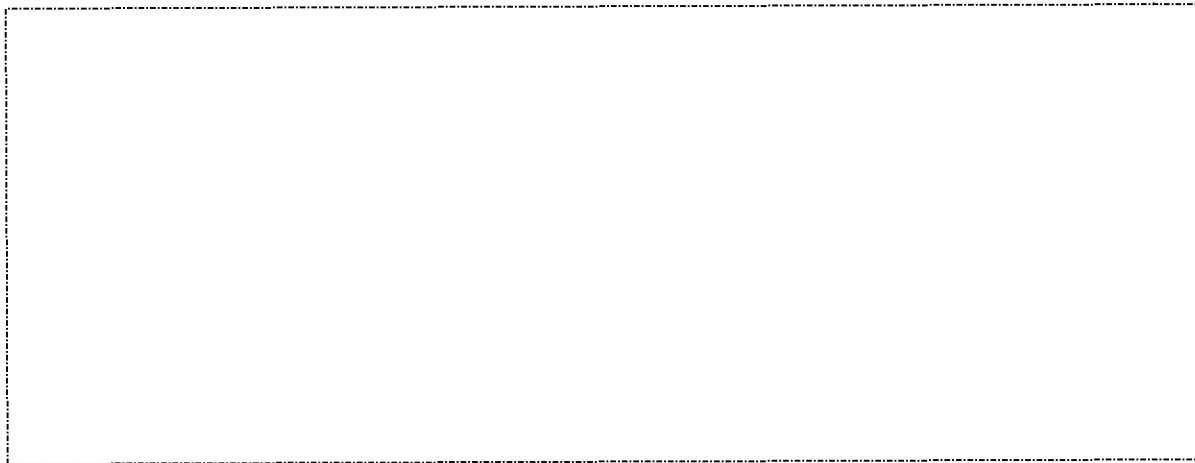


574.

Other Activities

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





Mr. Kieley left the meeting.

575. FINANCIAL REPORT

576. Financial Summary

Mr. Sturge referred to the Financial Report for the nine months ended September 30, 2011 that was included in the Board papers circulated prior to the meeting and provided an overview of the highlights. He advised that the Corporation is on track for good overall earnings performance in 2011 with an annual net income forecast of \$128 million. He noted it was a good earnings year for oil and gas activities and a better year than expected for energy marketing and Newfoundland and Labrador Hydro and CF(L)Co were tracking on budget.

577. 2012 Operating and Capital Budget

Mr. Sturge referred to the Budget Review 2012 Report for Nalcor Energy Consolidated that was forwarded by email on November 24, 2011 and as was amended and circulated at the Board meeting. He advised that effective January 1, 2012 the Corporation will be transitioning to IFRS and that although the 2011 Budget is presented under Canadian GAAP, the 2012 amounts are prepared in accordance with IFRS. He reviewed the major IFRS impact areas in the 2012 Budget including that regulated assets and liabilities are no longer recognized for financial reporting purposes and that the RSP will no longer be recognized for financial reporting, such that Newfoundland and Labrador Hydro's

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net income will include the actual cost of fuel consumed and the amounts collected through rates. He advised that we will have the protection of the RSP but the Financial Statements will reflect some volatility. He noted that some other utilities such as Fortis and Emera have moved to US GAAP to avoid this volatility. He noted that an application will be filed with the PUB regarding IFRS and advised that it will be complicated but shouldn't affect cash flow.

He advised that with respect to oil and gas the biggest impact relates to depletion whereby reserves are calculated on proven and probable reserves and under GAAP it is calculated on proven reserves. With respect to CF(L)Co the ability to use proportionate consolidation for comparability will disappear.

Mr. Sturge reviewed the consolidated summary of net income, EBITDA, capital expenditures, equity contributions and capital structure comparing the 2011 budgets and forecasts to the 2012 budgets. There will be a significant increase in capital expenditures and equity contributions from government and a continually improving capital structure. He reviewed the highlights of the main budget drivers for the business units related to the 2012 consolidated summary of the 2012 budget, noting increased capital program by NL Hydro, CF(L)Co and Lower Churchill Project, estimated equity injections by government, completion of GRA with new rates, larger reliance on market energy sales, impact of downtime Unit A2 at Churchill Falls and assumption of insurance coverage, reduced oil and gas production volumes and assumed average oil price and the significant increase in Lower Churchill capital expenditures assuming projected project sanction.

He reviewed the Consolidated Income Statement and noted that an additional column was included to illustrate the impact on financial reporting related to IFRS and the inability to use proportionate consolidation for comparability. He also reviewed the Segment Earnings of each of the business units and noted that with respect to Regulated Hydro, earnings will increase primarily due to IFRS impact and to a lesser degree, the GRA and that the delay in rendering of a decision by

He asked if there were any questions on the balance of the 2012 Budget Review as provided and there were none.

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

THAT the Nalcor Energy Operating and Capital Budgets for 2012, as tabled and initialed by the Secretary for identification, be and they are hereby approved; and

PROVIDED THAT if any material change is made to the Nalcor Energy Operating and Capital Budgets for 2012 as a result of the approval of the CF(L)Co Budgets, that the Nalcor Energy Operating and Capital Budgets for 2012 shall again be submitted to the Board for further approval.

Mr. Sturge referred to the 2012 Financing Plan that was forwarded by email on November 24, 2011 and as was again circulated at the Board meeting and reviewed the highlights. The financing strategy is to meet financing requirements mainly through equity financing and supplemented by internally generated cash and he outlined the anticipated equity investment in 2012 and Q1 of 2013.

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

The 2012 Meeting Schedule that was included in the Board papers and circulated and provided before the meeting was reviewed and there were no changes.

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581. OTHER BUSINESS

There was no other business.

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

582. IN CAMERA

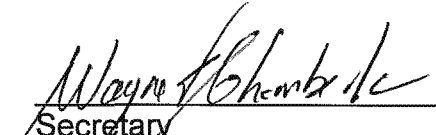
Messrs. Martin and Chamberlain returned to the meeting after the conclusion of the in-camera session. The Chair advised that there were no matters that required further discussion.

583. NEXT MEETING

The next meeting is scheduled for Friday, March 2, 2012.


584. TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

March 2, 2012


Chairperson