

**MINUTES OF THE FORTY-SIXTH 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,
MARCH 2, 2012 AT 10:30 A.M.**

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

Present by Invitation: D. Sturge, Vice-President Finance &
Chief Financial Officer
G. Bennett, Vice President Lower
Churchill Project
P. Harrington, Project Director

Secretary: W. Chamberlain

597. CONSTITUTION OF THE MEETING

Notice for the meeting was forwarded to Directors on February 6, 2012. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

Mr. Sturge, Mr. Bennett and Mr. Harrington joined the meeting.

598. SAFETY MOMENT

Mr. Chamberlain provided a defensive driving tip when making a left turn at the intersection of Capt. Whelan Drive and Columbus Drive.

599. LCP MODELS AND VIDEO

Scale models of the Lower Churchill Project were provided for the review by the Board. These scale models included Muskrat Falls Generation, Gull Island Generation and Strait of Belle Isle cable crossing.

Mr. Harrington provided commentary on the flyover video that shows the transmission route from a GIS perspective from the Island to Labrador. A video

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was also shown of the Muskrat Falls physical hydraulic model that was constructed and is located in Edmonton, Alberta.

600. VERIFICATION OF MINUTES

A copy of the minutes of the **FORTY-SECOND** meeting of the Board of Directors of Nalcor Energy held on November 25, 2011 was included in the meeting papers circulated prior to the meeting.

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

THAT the minutes of the **FORTY-SECOND** meeting of the Board of Directors of Nalcor Energy held on November 25, 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

A copy of the minutes of the **FORTY-THIRD, FORTY-FOURTH** and **FORTY-FIFTH** meetings of the Board of Directors of Nalcor Energy held on January 13, 2012, January 23, 2012 and February 3, 2012 respectively, were included in the meeting papers circulated prior to the meeting.

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

THAT the minutes of the **FORTY-THIRD, FORTY-FOURTH** and **FORTY-FIFTH** meetings of the Board of Directors of Nalcor Energy held on January 13, 2012, January 23, 2012 and February 3, 2012 respectively, 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.

601. BUSINESS ARISING

There was no business arising.

602. BUSINESS UNIT REPORTS**603. Lower Churchill**

Mr. Bennett reviewed the Lower Churchill Year End 2011 Report that was included in the Board papers circulated prior to the meeting.

He reported on the progress of the generation Environmental Assessment process noting that a decision is pending from the federal and provincial governments regarding the Joint Review Panel ("JRP") Report. He advised that a Judicial Review Application has been filed in Federal Court by the Grand Riverkeeper, Labrador Inc., Sierra Club of Canada and NunatuKavut Community Council Inc. against the federal government and responsible federal authorities and the Corporation and are seeking an order that the JRP failed to comply with its statutory duties under CEA and its terms of reference, among other things. He noted that once the federal and provincial governments render their decision on the JRP Report, that the applicants or other third parties may seek injunctive relief to prevent the issuance of any permits or any work from proceeding.

Mr. Bennett further advised that the draft Environmental Impact Statement for transmission has been prepared and that the EA process will be by a comprehensive study. He noted that the Lower Churchill Innu IBA and Upper Churchill Redress Agreement were ratified and signed pursuant to the New Dawn Agreement.

He provided an overview of the project execution activities in 2011 noting that SNC Lavalin were contracted to provide EPCM services and are developing the capital cost estimate for DG3 and contractor integration with Lower Churchill Project personnel is underway.

He reviewed the status of the court challenge in Quebec with regard to the HQT open access transmission tariff application [REDACTED]

Mr. Bennett reviewed the 2011 plan highlights and advised that there were no lost time or medical treatment injuries in 2011 but was advised this morning that there was another helicopter near miss related to the Strait of Belle Isle work. He stated that three of the four environmental leadership targets were achieved and that the missed target related to the development of a design philosophy for terrestrial habitat compensation and reviewed the recovery plan for completion.

He provided an overview of Phase 1 activities including the Public Utilities Board review of Muskrat Falls, advancing of the financial arrangements (including the federal loan guarantee) and status of the finalization of the Emera Inc. commercial agreements.

Mr. Bennett left the meeting.

604. BOARD COMMITTEE REPORTS

605. Compensation Committee

Mr. Marshall reported that the Compensation Committee met to review a number of compensation matters including 2011 performance contract payments and 2012 salary administration adjustments for non-union employees, as well as adjustments to non-union salary scales HL 11-18, revised performance contracts targets for salary scales HL 15-18 and the implementation of a new salary structure for Oil and Gas employees.

Mr. Marshall provided a brief overview of the 2011 performance contract target amounts for the President & CEO, Vice-Presidents and General Counsel & Corporate Secretary and their direct reports. He reviewed the average target amounts and advised that the Committee recommends payment of the 2011

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performance contract payments as presented to the Committee. Mr. Marshall advised that the performance contract payment for the President and CEO is under review by the Committee and a recommendation will be made later to the Board of Directors.

On motion duly made by Mr. Clift, seconded by Mr. Marshall 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 Vice-Presidents and General Counsel & Corporate Secretary and to their direct reports, as presented to and recommended by the Compensation Committee.

Mr. Marshall advised that the performance contract eligibility requirements would not change in 2012 and reviewed the background and basis for the Committee's recommendation that the performance targets for HL 15 - 17 be revised as presented to the Committee.

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

THAT Management be and is hereby directed and authorized to proceed with the revised performance targets for salary scales HL 15 to 17, as presented to and recommended by the Compensation Committee.

Mr. Marshall outlined the market indicators that were examined when the Committee reviewed the 2012 salary administration adjustment for non-union employees, including the President & CEO, Vice-Presidents and General Counsel & Corporate Secretary and their direct reports. He advised that the Committee recommends a 4% salary administration adjustment as presented to the Committee. Mr. Marshall advised that the salary administration adjustment for

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the President and CEO is under review by the Committee and a recommendation will be made later to the Board of Directors.

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

THAT Management be and is hereby directed and authorized to proceed with a general economic adjustment of 4% to the salary scales for non-union employees and, subject to a satisfactory assessment of performance by the CEO, to the base salaries of all Vice-Presidents and the General Counsel and Corporate Secretary, effective April 1, 2012, but not including the President and CEO.

He further advised that the format of the 2012 performance contract will remain unchanged for 2012.

Mr. Marshall provided a brief background and overview of the non-union salary scales HL 11-18 and the various internal and external pressures and advised that the Committee recommends the salary scales be adjusted as recommended and presented to the Committee.

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

THAT Management be and is hereby directed and authorized to proceed to adjust the non-union salary scales HL 11 to 18, as presented to and recommended by the Compensation Committee.

Mr. Marshall reviewed the unique reference market for oil and gas employees and the salary challenges when competing for skilled employees. He advised that the Committee recommends the adoption of the new salary structure for oil and gas employees for salary scales HL 15 and above as presented to the Committee and will be referenced to a national broader energy sector.

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

THAT Management be and is hereby directed and authorized to proceed to adopt a new salary structure for Oil and Gas salary scales HL 15 and above, as presented to and recommended by the Compensation Committee.

606. Audit Committee

Mr. Shortall reported that the Committee met earlier in the week and reviewed the 2011 Financial Consolidated Financial Statements, Financial Risk Management Strategy, plan for hedge accounting in 2012 and the Audit Results Report. The Committee recommends the approval of the 2011 Consolidated Financial Statements.

607. 2011 AUDIT

608. 2011 Consolidated Financial Statements

Mr. Sturge reviewed the 2011 Consolidated Financial Statements that were included in the Board papers circulated prior to the meeting. He advised that the Newfoundland and Labrador Hydro, Oil and Gas and Bull Arm Fabrication Financial Statements have been approved by the respective Boards and that the CF(L)Co Financial Statements are scheduled for approval at the CF(L)Co Board meeting on March 15, 2012.

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

THAT the 2011 Consolidated Financial Statements comprising of the Consolidated Statements of Financial Position, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows, all for the year-ended December 31, 2011, as tabled and initialed by the Secretary for identification, be and they are

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hereby approved, subject to there being no substantial change to the CF(L)Co Financial Statements; and

THAT C. Bennett and G. Shortall, or any two Directors be and they are hereby authorized to sign said Balance Sheet on behalf of the Board.

609. Audit Results Report

There were no comments on the Audit Results Report that was included in the Board papers circulated prior to the meeting.

610. FINANCIAL REPORT

611. Financial Summary

Mr. Sturge referred to the Financial Report for the year ended December 31, 2011 that was included in the Board papers circulated prior to the meeting. He provided an overview of the highlights advising that net income was significantly above budget due to an increase in oil and gas and marketing net income. He reviewed the segment earnings noting that NL Hydro was on budget. CF(L)Co was near budget despite issues with Unit A2 and other operational issues and a root cause analysis of the Alstom incident is underway. Energy Marketing had strong performance in 2011 as a result of higher recall availability and favourable electricity prices as a result of sales to New Brunswick Power which will terminate in March 2012. He advised that the U.S. markets are expected to be volatile and electricity prices are expected to be lower in 2012.

He advised that Oil and Gas had a good year in 2011 as a result of several factors, including increased production volumes from North Amethyst, early production from Hibernia South Extension and increased oil prices. He further advised that oil prices will likely remain strong but volumes will be lower in 2012. Bull Arm Fabrication had a good year as a result of the execution of the ExxonMobil lease and similar performance is expected to continue. He noted that all companies are now subject to IFRS starting in 2012.

Mr. Sturge reported that there was \$267 million in capital expenditures in 2011 and reviewed the composition of these expenditures as it related to the Lower Churchill Project, Oil and Gas, Regulated Hydro and CF(L)Co. He advised that operating costs for all business units were below budget. He also noted that the Parsons Pond investment was treated as impaired in the 2011 Financial Statements such that the assets were added to the depletion pool under CGAAP.

He further advised that as a result of the corporate commitment under the Upper Churchill Redress Agreement to make an annual payment to the Innu Nation from November 2011 to 2041, the corporation approached the Province to provide funding for this commitment. The Province has agreed to make a lump sum payment of \$40 million to fund these annual payments and there are ongoing discussions on the form of this commitment and the final accounting treatment is being reviewed by the external auditors.

612. Compliance Certificate

Mr. Sturge referred to the Compliance Certificate for the period ended January 31, 2012 that was included in the Board papers circulated prior to the meeting.

613. 2012 FINANCIAL RISK MANAGEMENT STRATEGY

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614. PRESIDENT'S REPORT**615. 2011 Performance Report**

Mr. Martin reviewed the Year-End Performance Report that was included in the Board papers circulated prior to the meeting. He advised that there were many accomplishments in 2011 and was a good year with regard to performance. He noted that there were also some opportunities for improvement with regard to safety in some areas but there were many areas of the business that were operating at a world class level. He also advised that there was room for improvement with regard to GWAC revenue and that the root cause analysis that is being undertaken will provide lessons learned when moving forward on the capital work to be undertaken.

616. 2012-2016 Draft 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 provided an overview of the draft Plan Highlights (Rev2) and noted that with regard to safety performance that if the target was achieved, then advance to the next target level but if the target was not achieved, then that target will continue to be the target

for the following year. He noted that the environmental leadership targets are established to ensure that the ISO certification requirements are achieved. The Finance and Project Execution targets are derived from the five year plan and noted that the GWAC income target is adjusted as a result of the impact of Unit A2 work in the first quarter of 2012 and that the GRA will be ready to file within required timelines. He reviewed the Growth targets and advised that best employer external benchmarking will be completed and that a shareholder and Board of Director relations plan is being developed.

Ms. Bennett advised that for the People goal on a go forward basis Nalcor should look at the 'lean manufacturing' recruitment model of best talent and examine it in the context of the corporate retention and recruitment plan.

617. BUSINESS UNIT REPORTS

618. Oil and Gas

Mr. Martin provided a brief overview of the Oil and Gas Year End 2011 Report that was included in the Board papers circulated prior to the meeting noting that



619. Bull Arm Fabrication

Mr. Martin referred to the Bull Arm Fabrication Year End 2011 Report that was included in the Board papers circulated prior to the meeting and there were no questions or comments.

620. Energy Marketing

Mr. Martin referred to the Energy Marketing Year End 2011 Report that was included in the Board papers circulated prior to the meeting and there were no questions or comments.

621. Other Activities

Mr. Martin referred to the Other Activities Year End 2011 Report that was included in the Board papers circulated prior to the meeting and there were no questions or comments.

622. PROXY – GIPCO ANNUAL GENERAL MEETING

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

THAT Nalcor Energy, a Shareholder of Gull Island Power Company Limited ("GIPCo"), hereby appoints Ed Martin and Gilbert Bennett or, failing either of them, Jim Haynes, or, failing him, Derrick Sturge, as proxies of Nalcor Energy to attend, vote and otherwise act for and on behalf of Nalcor Energy at the 2012 Annual General Meeting of the Shareholders of GIPCo, and at any adjournment thereof, in respect of all matters that may properly come before the meeting, in the same manner as Nalcor Energy could, if it were an individual Shareholder, each of them to have such power in respect of fifty (50) percent of all shares of GIPCo registered in the name of Nalcor Energy;

AND BE IT FURTHER RESOLVED

THAT any two of the Chairman, the President and Chief Executive Officer and the Secretary of Nalcor Energy, be and they are hereby authorized and directed to execute under the Corporate Seal of Nalcor Energy an instrument or instruments of proxy to the above effect;

AND BE IT FURTHER RESOLVED

THAT the Corporation will vote its shares at the forthcoming Annual Meeting of Gull Island Power Company Limited in favour of those individuals nominated for election as Directors of GIPCo.

623. OTHER BUSINESS

There was no other business.

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

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623.

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.

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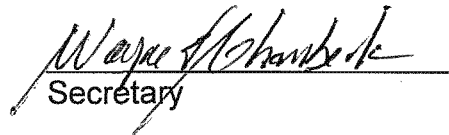
NEXT MEETING

The next meeting is scheduled for Friday, April 27, 2012.

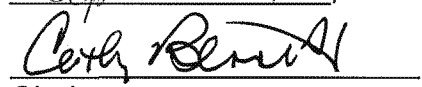
626.
625.

TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

April 27, 2012

Chairperson