

MINUTES OF THE SIXTIETH MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON MONDAY, DECEMBER 3, 2012 AT 01:00 P.M.

Present in Person: T. Styles, Chair
E. Martin

Present by Telephone: L. Abbass
E. Breen
T. Clift
A. Hawkins
K. Marshall (1:45)
G. Shortall

**Present by Invitation
By Telephone:** D. Sturge, Vice-President Finance
and Chief Financial Officer
G. Bennett, Vice-President Lower
Churchill Project (1:15)

Secretary: W. Chamberlain

748. CONSTITUTION OF THE MEETING

Notice of the meeting was sent to Directors on December 2, 2012. A quorum of Directors being present, the Chair declared the meeting duly called and validly constituted for the transaction of business.

749. SAFETY MOMENT

Mr. Chamberlain provided a safety moment on office safety.

750. UPDATE MUSKRAT FALLS PROJECT

Mr. Martin stated that the purpose of the meeting was to provide Board members with an update on the current situation with respect to the sanction activities related to the Lower Churchill Project (Project). He commenced to provide a high level overview of the discussions regarding the federal loan guarantee (FLG) noting that the federal government position in the FLG term sheet is that the Project and Maritime Link (ML) are together a regional project and that the FLG applies in a regional project context.

He advised that the parties are considering sanctioning Muskrat Falls (MF), Labrador-Island Link (LIL), Labrador Transmission Assets (LTA) and the ML at the same time, whereby the components of the regional project would then be constructed in sequence and the FLG would be drawn upon as each component of the regional project is ready to complete its financing. In addition, Nalcor and Emera are also negotiating a sanction agreement to provide for a way forward in the unlikely event the Nova Scotia Utility and Review Board (UARB) raises issues or does not approve the ML. He stated that a letter to this effect was sent by Nalcor Energy (Nalcor) and Emera Inc. (Emera) to the federal Minister of Natural Resources Canada and was circulated to the Board.

Mr. Martin stated that Emera has indicated that the application to be submitted by Emera to proceed with the ML will present the lowest cost option and the Nova Scotia government has enacted legislation and regulations that requires the UARB to approve the application if the ML is the lowest cost option.

He advised that the parties are working toward sanctioning both the Project and the ML this week. He stated that the FLG term sheet will be binding and advised that the amount and the term of the draft FLG term sheet are what was expected and is acceptable. He then provided a comprehensive review of the conditions precedent that were included in the draft FLG term sheet.

Mr. Martin stated that there is still work to be done but believes that Nalcor will have an appropriate amount of control under the FLG term sheet to proceed but will require a separate sanction agreement with Emera to ensure that the conditions are met to benefit from the FLG and the resulting AAA credit rating. He stated that the benefit of a FLG is substantial and that there is nothing in the two lists of conditions precedent that the parties and their respective governments should not be able to meet.

Mr. Martin advised the FLG term sheet is a binding agreement that provides a framework for the formal financing agreements to be negotiated with lenders. He noted that the federal government is committed to a FLG and the achievement of an AAA credit rating.

There were questions from Board members regarding the federal government's position that the FLG is being provided for a regional project and the impact if the ML is approved with financial conditions or not approved by the UARB. Mr. Martin explained that the parties and the Nova Scotia (NS) government are working together on a separate sanction agreement to provide a higher level of certainty that the ML will be completed. Both projects will be sanctioned at the same time.

The Board members queried what is to be sanctioned in the coming days. Mr. Martin advised that Nalcor would be sanctioning the MF, LTA and LIL and Emera would be sanctioning ML and the parties would also complete a sanction agreement to provide rules and responsibilities to respond to or remedy issues that arise with respect to the UARB approval of the ML.

Mr. Martin advised that the negotiated FLG term sheet agreement will likely be released publicly when completed but is confidential at this point.

The Board members requested and Mr. Martin provided an order of magnitude of the costs expended to date and the significant costs to be expended in the next several months if the Project is sanctioned.

The Board members requested and Mr. Martin agreed to provide a copy of the draft FLG term sheet agreement and the key terms of the Emera sanction term sheet.

Mr. Marshall joined the meeting and Ms. Breen left the meeting.

Mr. Sturge provided an overview of the source and uses of the financing with respect to the Project including details on the debt drawdowns, IDC and financing costs, the total guaranteed debt, equity contributions and AFUDC and the debt: equity ratio. The Board members requested and Mr. Sturge agreed to provide the table outlining the financing sources and uses.

The Board members had questions on the conditions precedent relating to the intergovernmental agreements between Nova Scotia and the federal government and Mr. Martin advised that Nalcor has agreed to be responsible for half of the penalty amount if the ML is not completed and as a result, will have some insight into these agreements but will not be involved in the direct negotiations, however, the Nova Scotia and Newfoundland and Labrador (NL) intergovernmental agreements with the federal government will be worked on simultaneously and NL and NS intend to coordinate completion together.

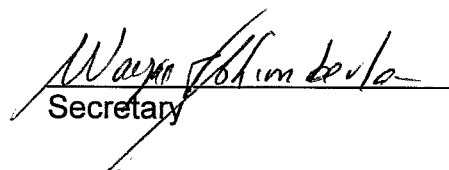
Mr. Martin provided a summary of the benefits and risks noting that the Government of Nova Scotia is engaged in these discussions and all parties including the federal government are committed to the sanction and completion of the projects. He further noted that the FLG term sheet provides a good framework and covers much of the risk but there is still some risk and uncertainty. He also stated that there will be tangible benefits to the Province and local businesses.

Mr. Sturge and Mr. Bennett had nothing further to add.

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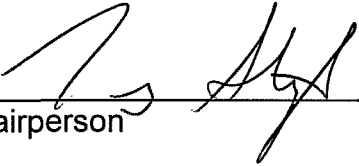
TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

January 18, 2013


Chairperson