



January 26, 2011

Board of Directors
New Brunswick Power Holding Corporation
515 King Street
P.O. Box 2000
Fredericton, NB E3B 4X1

Attention: Mr. Ed Barrett, Chairman

Dear Mr. Barrett:

Re: Shareholder's Mandate Letter (the "Letter") – Her Majesty the Queen in Right of the Province of New Brunswick (the "Shareholder") and New Brunswick Power Holding Corporation (including all of its subsidiaries) ("NB Power")

I am pleased to provide this Letter to the Board of Directors of NB Power to make your Board aware of the Shareholder's intentions and expectations as we embark – initially through the New Brunswick Energy Commission – on an historic process to shape our long-term energy policy. NB Power is central to our energy future in New Brunswick, and our Government hopes to forge a strong and constructive relationship with NB Power's Board and management based on mutual respect and a shared vision for improving the lives of New Brunswickers.

This Letter serves as a Shareholder's written declaration, pursuant to section 99 of the *Business Corporations Act*, and the directives contained herein are part of the energy policy of the Government of New Brunswick. The Letter supersedes and replaces the Shareholder's Mandate Letter dated July 8, 2010 and will remain in effect until specifically amended or superseded by further written communication.

Notwithstanding the emerging nature of a number of policy areas and initiatives as a result of the Energy Commission process, the Letter contains specific short-term and long-term directives which are fundamental to implementing the Government's policies. In addition, there are certain underlying governance and operating principles that we expect NB Power to focus on and incorporate into your business activities and decision making.

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**Minister/Ministre
Energy/Énergie**

1 Germain St/1, rue Germain, Suite M-100 Saint John New Brunswick/Nouveau-Brunswick E2L 4V1 Canada Tel./Tél. (506) 658-3177 Fax/Télééc. (506) 658-3191

www.gnb.ca



Governance and Operating Principles

1. As a *Business Corporations Act* company, NB Power will operate as a commercial enterprise with an independent Board of Directors, which will at all times exercise its fiduciary responsibility and a duty of care to act in the best interest of NB Power, while conforming to the provisions of the shareholders' agreement dated October 1, 2004 between the Minister of Energy, New Brunswick Electric Finance Corporation and New Brunswick Power Holding Corporation (the "Shareholders' Agreement").
2. The Board of Directors of NB Power will continue to be committed to a high level of accountability and transparency as provided in your corporate governance policy.
3. NB Power's core mandate is the generation, transmission, distribution and sale of electricity.
4. NB Power will operate in a manner which will provide competitive rates to customers while maintaining and enhancing shareholder value through efficient operations and long-term debt management.
5. NB Power shall construct, operate and maintain its assets in a safe, reliable, efficient, cost-effective and fiscally-responsible manner with respect for the environment and within the legislative and regulatory framework of the Province of New Brunswick and the Government of Canada.
6. Further to paragraph 3.2(e) of the Shareholders' Agreement, capital projects and investments that NB Power believes to be in the best interest of NB Power, the Shareholder and NB Power's customers shall be proposed to the Shareholder on a "business case" basis for consideration.

Specific Directives

In addition to abiding by the preceding general principles, it is the expectation of the Shareholder that NB Power will support the policies of the Government of New Brunswick by doing the following:

1. Implement a three-year rate freeze by holding its distribution charges, rates and tolls at their current levels until at least September 30, 2013.

2. In order to mitigate risks and assure cost stability and predictability during the three-year rate freeze period and beyond, adopt appropriate industry best practices with respect to procuring fuel and purchased power. Such industry best practices are to include, but not be limited to, entering into hedging contracts.
3. Recognize and support the successful completion of the Point Lepreau Generating Station's refurbishment project as the top priority of the Shareholder. This includes supporting, in a constructive and timely manner, the Select Committee of the House that was recently appointed to examine the ongoing status of the Point Lepreau refurbishment project, and providing the Shareholder with monthly project updates.
4. Recognize and support the Shareholder's intention to seek full compensation from Atomic Energy of Canada Limited and/or the Government of Canada for cost overruns associated with schedule delays at the Point Lepreau Generating Station's refurbishment project.
5. Support the Energy Commission by responding in a timely manner to all requests for information and support, including meetings with the appropriate NB Power personnel and any other reasonable requests in support of the Energy Commission's activities.
6. Recognize the Shareholder's commitment to working with our neighbouring jurisdictions toward enhanced regional cooperation in matters of energy and electricity. This includes NB Power continuing to take an active and constructive role in the ongoing Atlantic Energy Gateway initiative.
7. Develop and implement on an annual basis, in consultation with stakeholders, clients, including industry, and other electricity providers, an integrated resource plan to address future energy and capacity requirements.
8. Make NB Power's updated financial statements available to the public on a quarterly basis, starting with the fiscal period beginning April 1, 2011.
9. Work with and support the New Brunswick Energy Efficiency and Conservation Agency to promote efficiency and demand management programs and initiatives for electricity customers.
10. Conduct an internal inventory and external benchmarking of human resources in the organization to ensure they are deployed so as to contribute to the achievement of the goals and mandate of NB Power in an effective and efficient manner.

