

Churchill Falls (Labrador) Corporation asking Quebec courts to rule on Upper Churchill Power Contract disparities

January 18, 2010 - Ed Martin, President and CEO of Churchill Falls (Labrador) Corporation Limited (CFLCo) and Nalcor Energy, announced today that CFLCo will commence proceedings against Hydro-Quebec to address disparities in the Upper Churchill Power Contract pricing.

On November 30, 2009, CFLCo sent a letter to Hydro-Quebec requesting them to enter into negotiations to amend the pricing terms of the 1969 Power Contract to provide a fair and equitable price for CFLCo, consistent with the principle under the Quebec Civil Code that parties are to act in good faith in the negotiation and ongoing execution of contracts.

“We have not received a reply from Hydro-Quebec and therefore we have no choice but to interpret that as a rejection of our request,” said Martin. “As a result of their failure to enter into discussions to renegotiate the contract terms, I have instructed CFLCo’s lawyers to proceed with legal action. We will be filing a motion in the Quebec Superior Court in the coming weeks detailing the basis of our claim to have the pricing terms of the Upper Churchill 1969 Power Contract amended for the remainder of the contract.”

The present purchase price under the contract is approximately one-quarter of one cent per kw/hr and the renewal contract fixes the purchase price at one-fifth of one cent for the 25 year period beginning in 2016. This will mean that, for the remaining 32 years of the power contract, Upper Churchill power will be sold to Hydro-Quebec for less than 5 per cent of its recent commercial value. This permits virtually no return to CFLCo and its shareholders for the next 32 years.



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"This inequity must be addressed and the legal opinions we have received support the legal action we are taking. We believe the situation with the Upper Churchill Power Contract, as long as it is outstanding, to be unjust and to refuse to renegotiate the pricing terms is inconsistent with the obligation imposed by the law of Quebec to act in good faith in all legal relationships," said Martin.

This week, Nalcor Energy will be before the Régie de L'Energie, Québec's independent energy regulatory board to discuss issues associated with gaining access to Quebec's transmission system for the purpose of exporting power from the Lower Churchill Project. Martin said that this matter is not related to the legal action CFLCo will be pursuing related to the Upper Churchill Power Contract. "They are separate and distinct actions by two different companies arising from two completely different sets of circumstances," he explained.

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