

MINUTES OF THE FIFTY-FIFTH MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON TUESDAY, OCTOBER 16, 2012 AT 7:30 P.M.

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

Present by Phone: K. Marshall
G. Shortall
A. Hawkins
L. Abbass

Present by Invitation: D. Sturge, Vice-President and Chief Financial Officer
G. Bennett, Vice-President Lower Churchill Project

Secretary (acting): P. Hickman

726. SAFETY MOMENT

Mr. Hickman provided a safety moment.

727. MUSKRAT FALLS PROJECT

The Chair stated that the purpose of the meeting was to provide the Board of Directors with an update as to the status of the Muskrat Falls Project and to provide the Directors an opportunity to ask any questions or seek any further information they require with respect to this item. He stated that it is expected that the Board will be asked to approve the sanction of this project in the coming weeks and it is important for them to have all the relevant information to make that decision.

Mr. Martin stated that he would review with the Board the overall framework of the Muskrat Falls Project, including the Maritime Link and answer any questions

55th Nalcor Energy Board Meeting
October 16, 2012
Page 2 of 5

they have with respect to the project. He stated that Mr. Sturge would then review the financing of the Project and Mr. Bennett would outline the project development activities that are underway. He noted that if the directors want any further information to be compiled and provided to them at a later date, that can be done.

Mr. Martin stated that the Board would be asked to approve the sanction of the Muskrat Falls Project, the Labrador Island Link and the Maritime Link. He noted that the Board received information previously with respect to changes in costs that had occurred between DG2 and DG3. These numbers have not changed since that time. As stated in a previous review with the Board the costs are up for both the Island Link and the Isolated Island, but the difference in Cumulative Present Worth between both scenarios is larger now than it was at DG2.

Mr. Martin noted that although the Board had previously been provided with the overall framework of the Muskrat Falls Project, the Labrador Island Link and the Maritime Link, it was felt that it was important for him to review it again with the Board to ensure that they are fully informed. He then proceeded to outline the overall framework of the projects and answered any questions that the Board had with respect to these items.

Mr. Martin reviewed the benefits to the Province of these projects. He also highlighted the external reviews that had been undertaken and through which the Corporation and the Province received positive feedback.

Mr. Clift inquired as to why there is a disconnect between Nalcor and opponents of the Muskrat Falls Project with respect to demand estimates. Mr. Bennett stated that Manitoba Hydro International, during its review of the Project, looked at the forecast model and said that it was consistent with good utility practice and in fact may be on the conservative side. He also noted that the possible new industrial load in Labrador was excluded from the estimate.

55th Nalcor Energy Board Meeting
October 16, 2012
Page 3 of 5

The Board asked to receive a summary of the highlights of the deal with Emera. It was also agreed that they would receive a summary of the Communications Plan that has been put in place and which will be implemented upon the release of the DG3 numbers. In addition, they will be provided with a list of frequently asked questions and answers to these questions.

Mr. Sturge then provided information to the Board relating to the financing of the Projects and the Federal Loan Guarantee. Mr. Sturge reviewed the timeline on the Project and the financing of the Project. Meetings had been held with the credit agencies to update them on this timeline and there is no reason to believe that the ratings will change when completed again with DG3 information. He then outlined the structure of the financing and the process to be followed in the financing exercise. He stated that the schedule calls for financing close to take place in quarter 4 of 2013. The Project will be equity funded until that time.

Mr. Sturge then outlined the risk mitigation that has taken place, including the fact that the project can be carried out without the federal loan guarantee, the debt size can be covered by NLH's revenue from rate payers, the debt is self-supporting in that there is no recourse to non-project assets and entities, debt equity ratio is normal for this type of project, etc.

Mr. Sturge provided the Board with an update on the discussions with the Federal Government relating to the loan guarantee. It was agreed that the Board would be provided with information on the Federal Loan Guarantee when it has been finalized.

Mr. Bennett then provided an update with respect to project execution. He stated that the next major contract is the bulk excavation contract. The timing of this contract is important as it leads to several other things coming on stream. He reported that Nalcor has purchased a "used" camp to house employees for the

55th Nalcor Energy Board Meeting
October 16, 2012
Page 4 of 5

first stage of contracts. It will accommodate approximately 300 workers. When the Project is at full scale there will be approximately 2,000 people at the camp. Mr. Martin stated that this acquisition will receive some attention from the media and opponents to the Muskrat Falls as it is being purchased before sanction of the Project. However, if there is no project sanction it can be used on such projects as small hydro projects and wind farm construction, or it can be sold.

Mr. Bennett outlined the schedule of contracts over the next year or so. He stated that the Corporation is receiving competitive bids with respect to all of these contracts and the numbers continue to be close to the budget.

With respect to the transmission, the environmental assessment has been filed and is progressing well. It is anticipated that it will be released in the first quarter 2013. The Maritime Link environmental assessment will likely be released in the third or fourth quarter of 2013, maybe earlier.


Mr. Martin reported that there had been some safety issues at site. The OH&S regulator was on site and found some issues with the contractors and shut down certain activities. Nalcor made a decision to shut down the full site for a week and had a safety stand down. Nalcor met with the contractors and appropriate measures have been taken. The site is up and running once again.

Mr. Martin once again reiterated that if any of the Directors require any further information with respect to the Muskrat Falls Project, the Labrador Island Link or the Maritime Link, that they should not hesitate to ask.

728.

TERMINATION

There being no further business, the meeting was terminated.



Secretary

55th Nalcor Energy Board Meeting
October 16, 2012
Page 5 of 5

Verified at a meeting held on

January 18, 2013


Chairperson

