

MINUTES OF THE SIXTY-SEVENTH MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, HOLYROOD THERMAL GENERATING STATION, HOLYROOD, NEWFOUNDLAND AND LABRADOR ON WEDNESDAY, JULY 3, 2013 AT 10:00 A.M.

Present in Person: T. Styles, Chair
L. Abbass
E. Breen
T. Clift
A. Hawkins
K. Marshall
G. Shortall
E. Martin

Present by Invitation: D. Sturge, Vice-President Finance and Chief Financial Officer
R. Henderson, Vice-President, NLH
J. MacIsaac, Vice-President, Project Execution and Technical Services

Secretary (acting): P. Hickman

828. CONSTITUTION OF THE MEETING

Notice of the meeting was sent to Directors on June 7, 2013. A quorum of Directors being present, the Chair declared the meeting duly called and validly constituted for the transaction of business.

829. SAFETY MOMENT

Mr. MacIsaac joined the meeting and provided a safety moment relating to over exertion. Mr. MacIsaac left the meeting.

830. VERIFICATION OF MINUTES

A copy of the minutes of the Sixty-Fifth and Sixty-Sixth meetings of the Board of Directors held on March 22, 2013 and May 21, 2013, respectively, were included in the meeting papers circulated prior to the meeting.

On motion duly made by E. Martin, seconded by L. Abbass and unanimously carried, it was resolved:

THAT the minutes of the **SIXTY-FIFTH** and **SIXTY-SIXTH** meetings of the Board of Directors of Nalcor Energy held on March 22, 2013, and May 21, 2013 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.

831. ACTION LIST

The Board of Directors reviewed the Action List, a copy of which was included in the meeting papers.

832. BOARD VISIT TO MUSKRAT FALLS SITE

The Board agreed that its September 27, 2013 Board meeting would be held in Churchill Falls and at that time the Board will also visit the Muskrat Falls site.

833. REVIEW OF ENVIRONMENTAL AUDIT REPORTS

Mr. Clift stated that he had discussed with Mr. Shortall, Chair of the Audit Committee, the issue as to which Committee of the Board should review the Environmental Audit Reports. It is their recommendation that the review of these reports should remain with the Safety, Health and Environment Committee. The Board agreed with this recommendation.

834. COMMITTEE REPORTS

835. Audit Committee

Mr. Shortall reported that there had been a number of meetings of the Audit Committee with respect to NLH not adopting IFRS at this time. He also noted that at the March Board meeting the Board had approved draft financial statements, and had delegated approval of the final statements to the Audit

Committee subject to there being no significant changes. He stated that there were no significant changes to the draft statements approved by the Board and the Committee therefore approved the final financial statements.

Mr. Shortall informed the Board of the external review being carried out of the Internal Audit Department. He stated that such a review is carried out every five years. A review is ongoing and it is anticipated that it will be completed soon. Mr. Shortall also reported that the Internal Audit Department has commenced work on a procurement audit of the Muskrat Falls Project. Mr. Martin noted that Mark Bradbury, interim Manager for Internal Audit, has done a tremendous job in this position. Mr. Shortall agreed with this assessment.

836. Safety, Health and Environment Committee

Mr. Clift provided a report to the Board on a recent meeting of the Safety, Health and Environment Committee. He stated that the Committee closed the loop on a review of the corporate aviation safety program. The Committee received a review of the program a couple of years ago and at the most recent meeting, received a status report on the program. He stated that the program is progressing well and the Committee is pleased with the program that has been established. Mr. Clift stated that the Safety, Health and Environment Committee has asked staff to draft a template for a compliance report/certificate relating to safety and environmental issues and to provide it to the Committee for its consideration.

837. Compensation Committee

Messrs. Martin, Sturge, Henderson and Hickman left the meeting at this time.

Mr. Marshall provided an update to the Board on recent Compensation Committee meetings.

Messrs. Martin, Sturge, Henderson and Hickman returned to the meeting.

838. Governance Committee

Mr. Clift provided a report to the Board on a recent meeting of the Governance Committee. He informed the Board that the Committee reviewed a report on the Code of Business Conduct. While there was nothing of significance included in the report, the Committee inquired as to whether there is a process in place for reporting items, such as those that were included in the report, to the Governance Committee on a more timely basis than in an annual report. It was agreed at the Committee meeting that Mr. Clift would discuss this with Gerard McDonald, Vice-President of Human Resources and Organizational Effectiveness.

Mr. Clift stated that the Committee was presented with a report reviewing the Directors and Officers insurance coverage that is in place for the Nalcor Companies. As well, the Committee gave final approval to the Work Plans for the various Boards and Committees.

Mr. Clift outlined to the Board work that is ongoing internally with respect to preparation of a corporate governance framework. This is being carried out by members of the Leadership and others and is a review and refresh of corporate governance in the Corporation. He met with Catherine Squire, Corporate Planning Analyst, to review the progress being made with respect to the preparation of the framework and he stated that it is progressing very well. He stated that after that meeting he took it upon himself to prepare a retrospective of corporate governance at NLH and Nalcor over the past several years. It outlines the progress the Corporation has made with respect to corporate governance over the years, as well as the status of a number of initiatives that were undertaken. He stated that it was still in draft form. It was agreed that Mr. Clift's memo would be distributed to all members of the Board for their review and comments.

The Board discussed corporate governance generally. The Chair noted that there is training available for Board members through the Institute of Corporate Directors. He stated that some Directors have taken advantage of these sessions and he encouraged other Directors to do so as well. Mr. Martin noted that a great deal of improvement in the area of corporate governance has occurred over the past several years within the Nalcor companies and he stated that the work ongoing with respect to the corporate governance framework is an exercise to refresh, as opposed to address a perceived problem.

Mr. Clift stated that two other items that were discussed by the Committee were the implementation of the whistle blower policy of the corporation and communication between the Board and the Shareholder.

839.

FINANCIAL REPORT

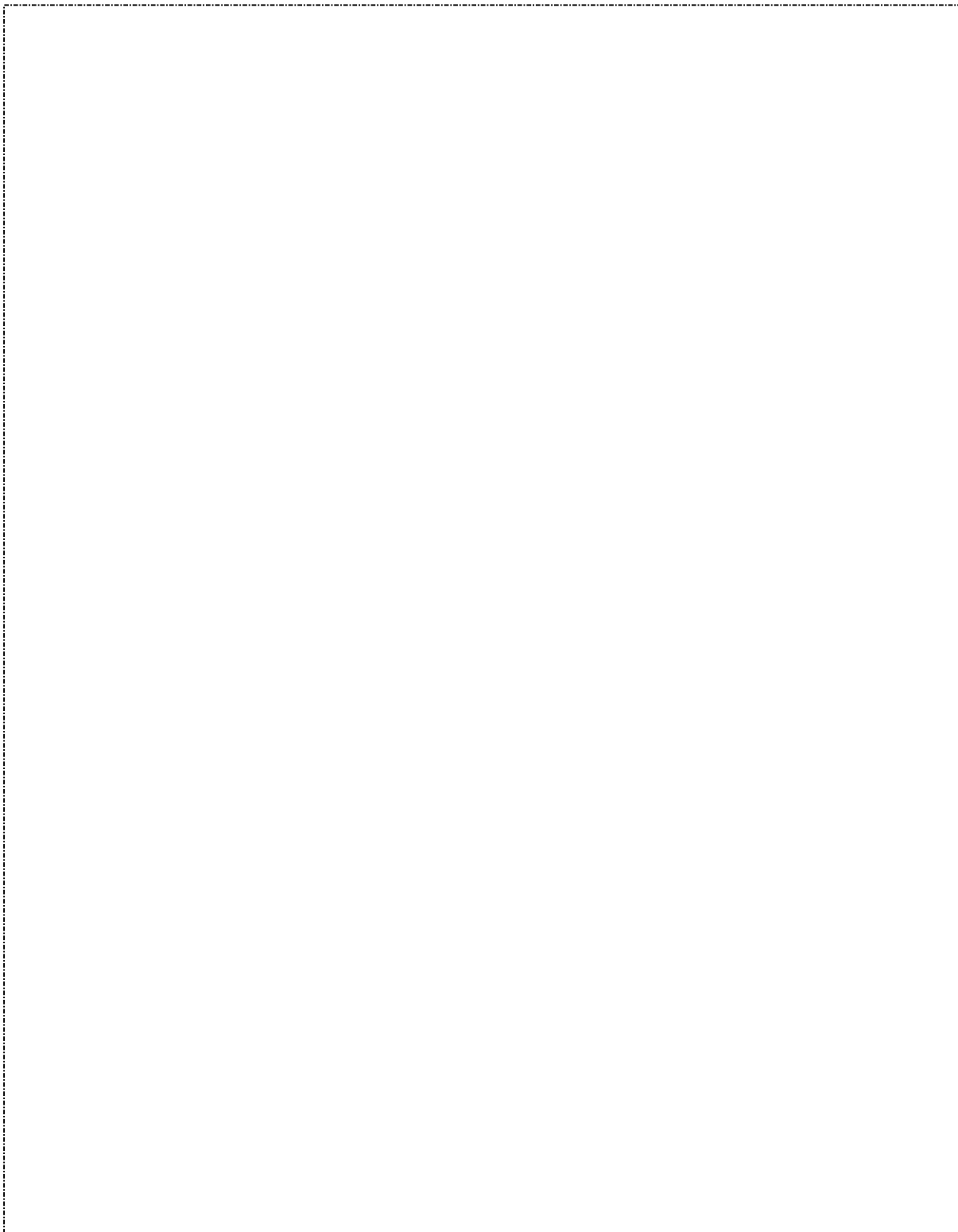
Mr. Sturge reviewed the Financial Report included in the meeting papers. He reviewed the slide outlining the segment earnings. He reported that net income is forecasted to be approximately \$14 million higher than budgeted at year end. He stated that this is due to higher than budgeted revenue achieved through energy sales to Hydro-Quebec and through GWAC, as well as an increase in net income in Oil and Gas due to the foreign exchange and there being higher reserves than expected. As well, net income is forecasted to be up by approximately \$5 million at year end with respect to Bull Arm, as the revenue to be received under the lease has increased as the value of the work on site has increased.

Mr. Sturge stated that the present schedule relating to the General Rate Application is that it will be filed during the last week of July. Included in the application will be a request to have interim rates implemented by January 1, 2014.

67th Nalcor Energy Board Meeting

July 3, 2013

Page 6 of 15



Mr. Sturge reported that Nalcor was the subject of a recent credit rating review by Standard and Poor's as an annual requirement of its confidential rating. An additional confidential rating is also being sought from DBRS.

With respect to the Lower Churchill Project, Mr. Sturge stated that in the future there will be more cost detail included in the financial summary with respect to the Lower Churchill Project. With respect to financing for the LCP, work is continuing on the Federal Loan Guarantee. As well, the request for financing was issued in May to eleven lenders. He stated that out of those eleven lenders, six have partnered in three separate "teams", these six being six major banks. Mr. Martin then reported on the status of the Federal Loan Guarantee.

840.

COMPLIANCE CERTIFICATE

The Corporate Compliance Certificate included in the meeting papers was noted.

841.

PRESIDENT'S REPORT

Mr. Martin reviewed the 2013 Nalcor Plan Performance Report, a copy of which was included in the meeting papers.

Mr. Martin reviewed the quilt contained in the Report. He stated that the operating expenditures are showing as being green/yellow as the target is at risk of being missed. He stated that this target could be recovered by year end. With respect to the target related to generation contingency reserve, this has been missed and is not recoverable. The corporate target has not changed, but he and Mr. Henderson agreed that a new target which could be achieved by year end should be included in the plan in order to give employees something to work towards. He stated that it is a very aggressive target and presently sits at yellow as we are close to missing that target. He noted that with respect to performance contracts, the original target will apply. He noted that the GWAC revenue has been very good over the first few months and the forecast is for that target to be exceeded.

Mr. Martin reviewed the safety triangle included in the Report. He stated that the results are very good up to the present time. He stated that the initiatives put in place to deal with the areas in which the problems were experienced in 2012 have been very successful.

842.

BUSINESS UNIT REPORTS

843.

NLH

Mr. Henderson reviewed the Newfoundland and Labrador Hydro Business Unit Report, a copy of which was included in the meeting papers.



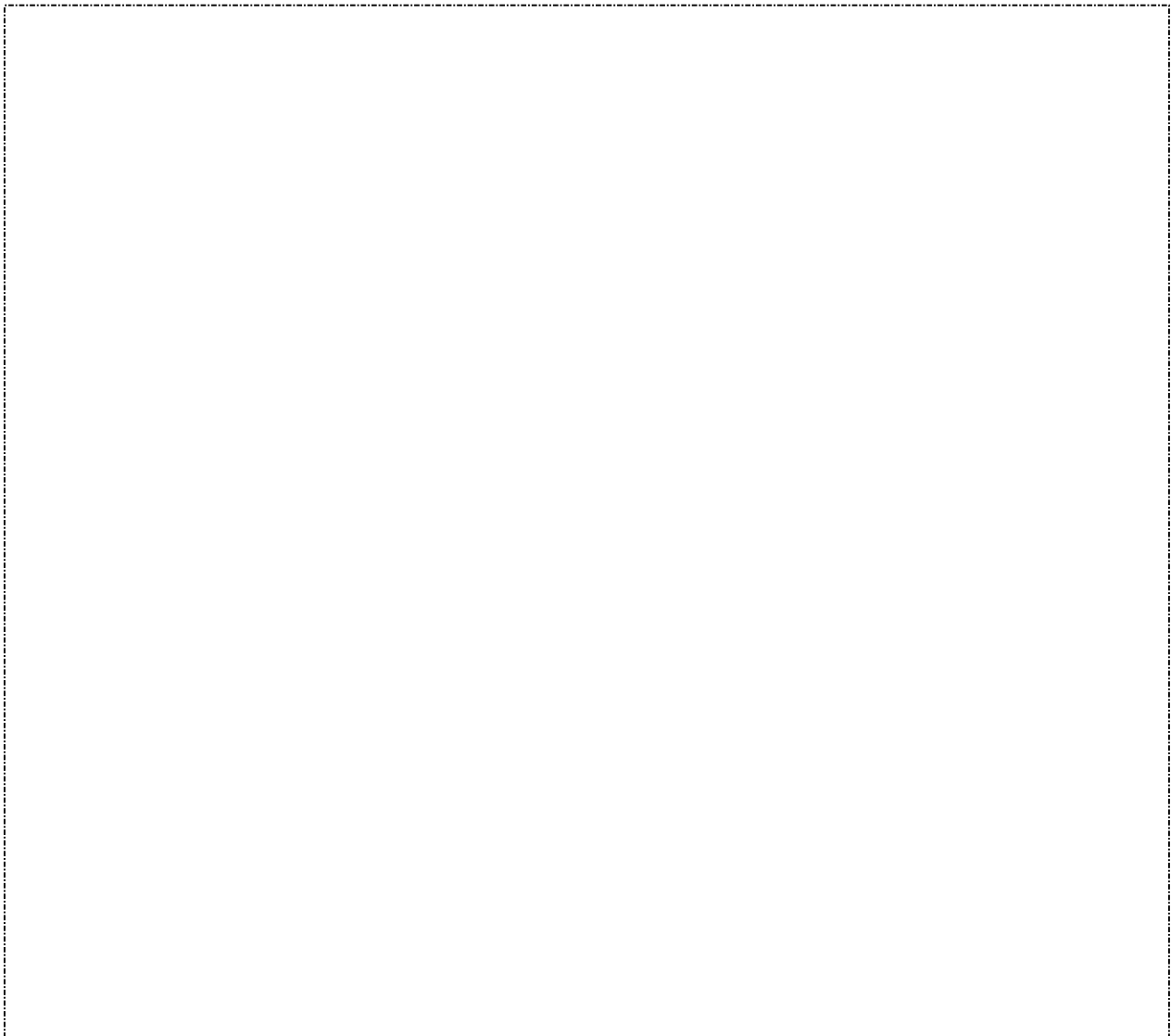
67th Nalcor Energy Board Meeting
July 3, 2013
Page 9 of 15



844. CF(L)Co

Mr. MacIsaac joined the meeting at this time.

Mr. MacIsaac reviewed the CF(L)Co report included in the meeting papers.



845. Lower Churchill

Mr. Martin reviewed the Lower Churchill Report included in the meeting papers.

With respect to safety at the Muskrat Falls site, it was necessary to hold some safety stand downs, but attitudes at the site with respect to safety are improving. With respect to project execution, construction is continuing. A 300 person starter camp is fully operational, the fabrication of the 1,500 person main camp is underway, bulk excavation is underway with the focus on the power house area and Geo Tech work has commenced on the north spur. He also reported that project engineering is approximately 75% complete and expected to wind down later in 2013. Procurement is continuing on schedule and the labour special project orders have been received.

Mr. Martin reported that the Newfoundland and Labrador Government has recently released the Labrador-Island Link Environmental Assessment. A decision in this regard from Canada is expected in June or July.

Mr. Martin reviewed and provided an update on four risks associated with the Muskrat Falls project, these being the outcome of Emera Inc.'s application to the UARB, the Emera's sanction of the Maritime Link, Emera's decision Gate 3 for Maritime Link and contracting, in particular a few significant contracts which have yet to be awarded. He outlined the work ongoing to mitigate and address these risks.

Mr. Marshall left the meeting at this time.

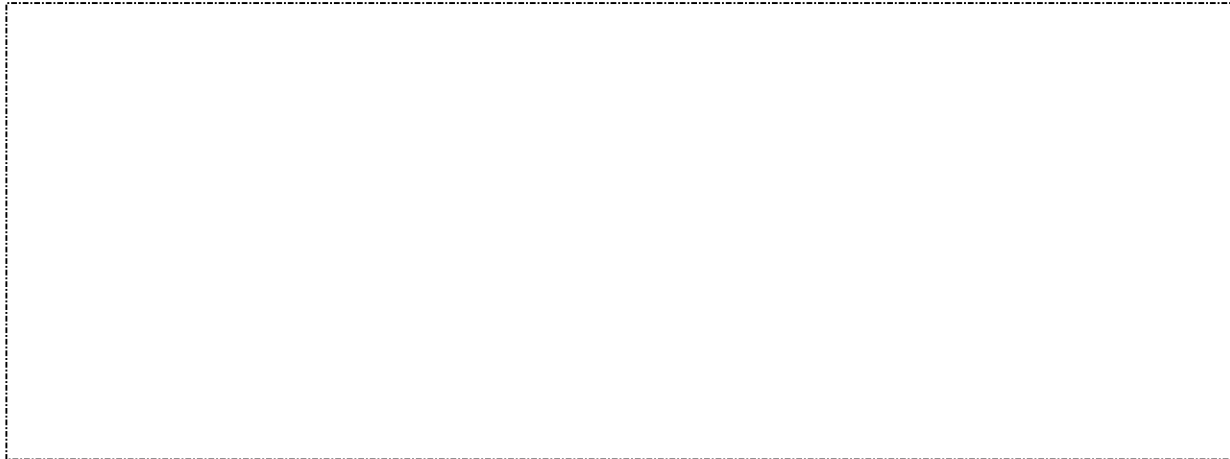
846. Oil and Gas

Mr. Martin reviewed the Oil and Gas Business Unit Report, a copy of which was included in the meeting papers.

67th Nalcor Energy Board Meeting
July 3, 2013
Page 11 of 15



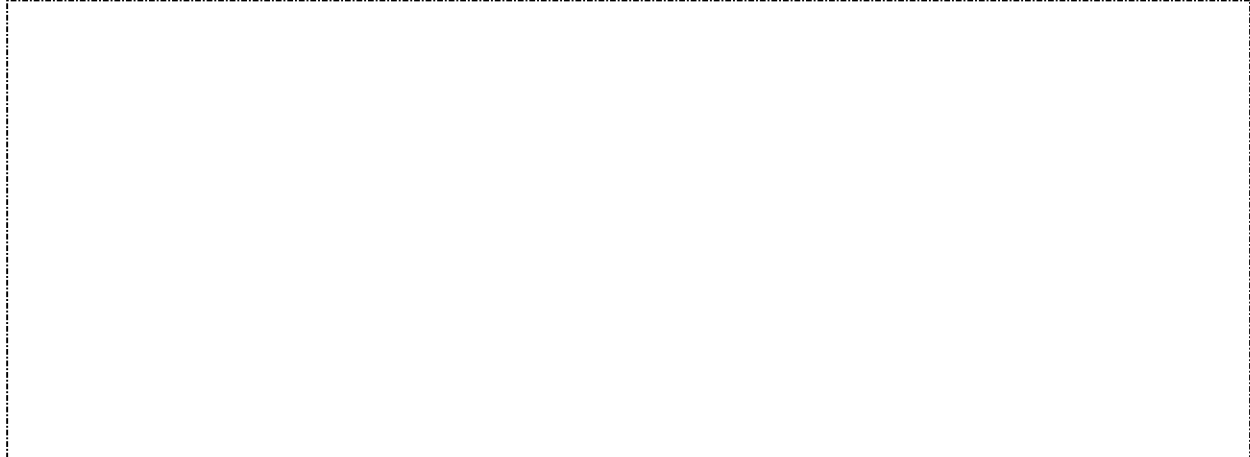
Mr. MacIsaac joined the meeting at this time.



847. **Bull Arm**

Mr. Martin reviewed the Bull Arm Report included in the meeting papers.



848. Energy Marketing**849. RATIFICATION OF APPROVAL OF CEO COMPENSATION**

On motion duly made by T. Clift, seconded by A. Hawkins and unanimously carried, it was resolved:

THAT the email approval of the Board of Directors that Management be directed and authorized to proceed with the payout of the 2012 performance contract payments to the President & CEO as presented to and recommended by the Nalcor Energy Board of Directors Compensation Committee, be and it is hereby ratified.

850. APPROVAL OF SHAREHOLDER RESOLUTIONS

On motion duly made by G. Shortall, seconded by E. Martin and unanimously carried, it was resolved:

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Nalcor Energy-Oil and Gas Inc. ("Oilco") with respect to the following:

1. Approval of 2012 Financial Statements;
2. Appointment of Deloitte and Touche as Auditors of Oilco; and
3. Election of the following persons as Directors of Oilco to hold office until the next annual meeting or until their successors are duly elected or appointed:

Terry Styles
Edmund Martin
Gerry Shortall
Ken Marshall
John Steele
Justin Ladha

On motion duly made by G. Shortall, seconded by E. Martin and unanimously carried, it was resolved:

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Nalcor Energy-Bull Arm Fabrication Inc. ("Bull Arm Inc.") with respect to the following:

1. Approval of 2012 Financial Statements;
2. Appointment of Deloitte and Touche as Auditors of Bull Arm Inc.; and
3. Election of the following persons to be Directors of Bull Arm Inc. to hold office until the next annual meeting or until their successors are duly elected or appointed:

Terry Styles
Edmund Martin
Gilbert Dalton
Mike Mulrooney
Gerry Shortall
Allan Hawkins

On motion duly made by G. Shortall, seconded by E. Martin and unanimously carried, it was resolved:

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Gull Island Power Company Limited ("GIPCo") with respect to the following:

1. Approval of 2012 Financial Statements;
2. Appointment of Deloitte and Touche as Auditors of GIPCo; and
3. Election of the following persons to be Directors of GIPCo to hold office until the next annual meeting or until their successors are duly elected or appointed:

Terry Styles
Edmund Martin
Derrick Sturge
Robert Henderson
Gilbert Bennett

**851. RATIFICATION OF TRANSPARENCY AND ACCOUNTABILITY
PERFORMANCE REPORT**

On motion duly made by E. Martin, seconded by L. Abbass and unanimously carried, it was resolved:

THAT the email approval of the Board of Directors of the 2012 Annual Transparency and Accountability Performance Report dated June 2013, be and it is hereby ratified.

852. DIRECTOR'S CHARTER

Mr. Hickman distributed copies of a revised Director's Charter. He reviewed the proposed revised Charter explaining the reasons for the recommended revisions. On motion duly made by G. Shortall, seconded by E. Breen and unanimously carried, it was resolved:

THAT the revised Director's Charter presented to the Board of Directors at its meeting of July 3, 2013, be and it is hereby approved.

853. NEXT MEETING

The next meeting of the Board is scheduled for Friday, September 27, 2013 at Churchill Falls.


854. IN CAMERA

It was agreed that the Board would hold an in camera session after the Newfoundland and Labrador Hydro Board meeting which was scheduled to immediately follow this meeting.

855.

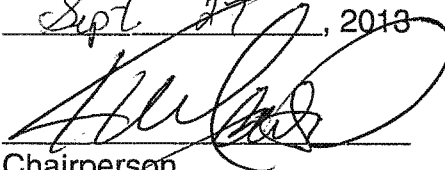
TERMINATION

There being no further business, the meeting was terminated.



Secretary

Verified at a meeting held on

Sept. 27, 2013


Chairperson

for the