

**MINUTES OF THE SEVENTIETH MEETING OF THE BOARD OF DIRECTORS
OF NALCOR ENERGY HELD IN THE BAY D'ESPOIR CONFERENCE ROOM,
FIRST LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND
LABRADOR ON THURSDAY, NOVEMBER 14, 2013 AT 01:00 P.M.**

Present in Person: T. Styles, Chair
L. Abbass, Member
A. Hawkins, Member
K. Marshall, Member
G. Shortall, Member

Present by Telephone: E. Martin, Member

Absent: E. Breen, Member
T. Clift, Member

Present by Invitation: Richard Daw, Member of Board of Directors
of Muskrat Falls Corporation
Paul Humphries, Member of Board of
Directors of Labrador Transmission
Corporation
Chris Loomis, Member of Board of
Directors of Labrador-Island Link Operating
Corporation
Desmond Whalen, Member of Board of
Directors of Labrador-Island Link Operating
Corporation
Chris Woodford, Member of Board of
Directors of Labrador Transmission
Corporation
Gilbert Bennett, Vice-President Lower
Churchill Project
Derrick Sturge, Vice-President Finance and
Chief Financial Officer
Craig Hippern, Manager Investment
Analysis and Financial Planning
Rob Hull, General Manager
Commercial/Financing
James Meaney, General Manager Finance,
Lower Churchill Project
Auburn Warren, Manager Investment
Evaluation
John Green, McInnes Cooper
Xeno Martis, Fasken Martineau

**Present by Invitation
by Telephone:**

**Libby Burnham, Member of Board of
Directors of Labrador-Island Link General
Partner Corporation
Sheila Kelly-Blackmore, Member of Board
of Directors of Labrador-Island Link
Holding Corporation
Tom O'Brien, Member of Board of Directors
of Labrador-Island Link Holding
Corporation
Greg Jones, Manager of Energy Marketing**

Secretary:**W. Chamberlain****886. CONSTITUTION OF THE MEETING**

Notice for the meeting was sent on November 13, 2013. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

All of the invitees joined the meeting unless specifically noted otherwise in these minutes. The Chair welcomed everyone present and by telephone and briefly asked everyone to briefly introduce themselves.

Mr. Martin welcomed everyone and advised that the purpose was to provide an update on the Lower Churchill Project and a technical briefing to members of the Nalcor Energy and subsidiary boards of directors in advance of seeking approval of the commercial, financing and related agreements.

887. SAFETY MOMENT

Mr. Meaney circulated and provided a safety moment on tire safety and tidbits.

888. LOWER CHURCHILL PROJECT UPDATE

Mr. Bennett reviewed the Lower Churchill Project Update presentation and provided an overview of the Muskrat Falls generation project, Labrador-Island transmission link and the Maritime transmission link. He then reviewed the sketch

of the Muskrat Falls generating facility noting that it has substantial civil works with two dams with a maximum flood handling capability of approximately 25,000 cubic meters per second.

He reviewed the transmission Project and provided particulars of the three substations, two converter stations and the HVdc transition compounds and noted that the two shoreline pond electrodes, located at L'Anse au Diable and Dowden's Point, will improve the reliability of the system. He advised that the Labrador-Island transmission link crosses the Strait of Belle Isle from Forteau Point to Shoal Cove and have drawn upon experience in the offshore and from C-core to help mitigate the risk of icebergs. He noted that among other things, there is an extra transmission cable should one of the cables be damaged and a rock berm is covering the cable in the middle of the Strait.

Mr. O'Brien joined the meeting.

Mr. Bennett provided background information of the Project noting that greater than ninety percent of the engineering is complete, two-thirds of the procurement value is awarded or ready to be awarded and construction productivity has been as expected. He stated that the completion of the bulk excavation work was a critical milestone and that seventy-five percent of the workforce was from the Province. He provided a brief overview of the construction work that is ongoing at Muskrat Falls, including assembly of the accommodations camp and excavation of the powerhouse, RCC cofferdam and reservoir clearing and noted that required trades have been generally available from within the Province. He also provided an overview of the current status of the Labrador-Island Link and Maritime Link activities, including the Labrador AC transmission right-of-way clearing, earthworks at Churchill Falls Switchyard, Strait of Belle Isle marine crossing and status of Labrador-Island Link EA.

He reported that safety performance has been good with over four million person hours worked and one lost time incident. He advised that geotechnical conditions have been good, resulting in high quality excavated services. He stated that Provincial engineering commitments have been satisfied and recruitment of workers has not been a problem, such that seventy-five percent of the workforce is residents of the Province and twenty percent of the Labrador workforce is aboriginal.

Mr. Bennett provided an overview of the measures taken to control Project commercial costs and an update on construction management of safety, contractor performance, positive labour experience and strong project team. He then reviewed the photographs illustrating the progress of the work completed to date. He noted that the transmission right-of-way is approximately one hundred meters wide and that historic resources have been found on site and there is an process to catalogue and preserve the findings.

**889. LOWER CHURCHILL PROJECT PHASE 1
FINANCIAL BRIEFING**

890. Corporate Overview

Mr. Sturge advised that a copy of the Lower Churchill Project Phase 1 Financial Briefing was provided to the Board and invitees by email on November 13, 2013. He outlined the composition of the Nalcor Energy team and advised that the purpose of the briefing was to provide an overview of and respond to any questions of the boards of directors of Nalcor Energy and its relevant subsidiaries, with respect to the commercial construct and financing requirements related to Phase 1 of the Lower Churchill Project, prior to seeking approval of the various financing and related commercial agreements.

He advised that the business case with respect to Muskrat Falls, Labrador Transmission Assets (LTA) and Labrador-Island Link (LIL) was driven to meet domestic power requirements with a financing structure solely supported by

domestic sales and not export sales. He stated that the full costs of these projects is to be paid by the Newfoundland and Labrador Hydro (NLH) customers through various contractual arrangements and the Province has directed the Board of Commissioners of Public Utilities to allow NLH to recover the costs of these contractual arrangements in its rates. He further stated that the equity portion of the financing will be provided by the Province pursuant to equity support agreements and equity support guarantees and by Emera Inc. pursuant to the formal agreements with Nalcor Energy.

Mr. Sturge advised that the remaining piece is the \$5 billion debt financing funded by means of a series of long term bonds that will have the Government of Canada AAA credit rating pursuant to the Federal Loan Guarantee (FLG). He stated that there are two distinct pieces of the debt financing being \$2.6 billion for Muskrat Falls and LTA and \$2.4 billion for LIL and noted that the agreements are technical and complex and were prepared with the involvement of the Province and Canada, along with the legal assistance of the law firms of Fasken Martineau and McInnes Cooper. He noted that an independent engineer and independent insurance consultant will be reporting back to Canada as projects proceed to provide a level of comfort to it.

Mr. Martin provided a high level overview of Nalcor corporate structure. He reviewed Nalcor's vision and values and provided an overview of the five corporate goals and then commenced to provide an overview of each of the six lines of business. He then advised that Phase 1 of the Lower Churchill Project is the least cost option and will provide means to link the Provincial power grid to the rest of North America.

Mr. Sturge reviewed the key milestones of the Financing schedule and noted that a competitive financing process has been completed, resulting in the selection and engagement of a Lead Arranger and are now looking to approve the financing and commercial agreements and satisfying the remaining FLG

conditions precedent. He advised that upon approval of the financing and commercial agreements and satisfaction of the FLG conditions precedent, that we would proceed into the market in accordance with the schedule. He stated that the selection of the Lead arranger and Financing schedule is highly confidential and commercially sensitive as this information could have a material impact on the market. The debt financing bonds would look similar to Canada bonds in the market.

He reviewed the drivers with respect to the development of the Nalcor corporate structure and the key considerations in the establishment of the new Project corporate entities, including the independent director requirement pursuant to the Energy Corporations Act. He provided a high level overview of the role and responsibilities of each of the Project subsidiaries and their respective board of directors, including Labrador-Island Link General Partner Corporation, Labrador-Island Link Holding Corporation, Labrador-Island Link Operating Corporation, Muskrat Falls Corporation, Labrador Transmission Corporation, Lower Churchill Management Corporation and Nalcor Energy Marketing Corporation.

891. NL Agreements Overview

Mr. Hull provided an overview of the NL Agreements that was included in the Lower Churchill Project Phase 1 Financial Briefing and noted that these agreements will provide for cash flows from NLH whereby cash flows will be directed to project lenders in accordance with the FLG transaction structure and also provide for full recovery of all project costs from NLH. He stated that there were six key commercial agreements that have a standardized structure and generally common commercial provisions. These agreements have been primarily drafted with the assistance of the law firm of McInnes Cooper with alignment from the Province on the energy issues and have undergone an internal due diligence review and have also been substantially approved by Canada in the form to be executed.

Mr. Green was the lead legal counsel from McInnes Cooper with respect to the NL Agreements and he provided a high level overview of each of the six commercial agreements.

Mr. Hull reviewed the structure of the contractual obligations and cash flows between NLH, the collateral agents and the respective Nalcor project subsidiaries. There were no questions at this point.

Mr. Jones was the lead with respect to the Power Purchase Agreement (PPA) and the Generator Interconnection Agreement (GIA) and provided a review of each of the significant provisions of these agreements, including a review of the three blocks of energy provided to NLH and payment related thereto, default remedies and the term and termination provisions.

Mr. Hull reviewed the significant provisions of the remaining NL Agreements being the LIL Assets Agreement, LIL Lease, Transmission Funding Agreement (TFA) and the LIL Remedies Agreement, including payment and other material obligations and the term and termination provisions.

892. Financing Overview

Mr. Meaney provided a financing overview that was included in the Lower Churchill Project Phase 1 Financial Briefing and stated that much of this information is highly confidential and commercially sensitive. He stated that the Muskrat Falls, LTA and LIL will be funded by means of equity agreements and debt financing which will be guaranteed by the Government of Canada pursuant to the Federal Loan Guarantee. He stated that Moody's, Standard and Poor's and DBRS have provided confidential credit ratings and a Preferred Proponent pursuant to the Request for Financing has been engaged as Lead Arranger to provide fully underwritten debt financing for Muskrat Falls/LTA Funding Trust (\$2.6 billion) and LIL Funding Trust (\$2.4 billion). He also reviewed the key

Financing schedule milestones noting the remaining milestones to be achieved before the target Financial Close date.

He reviewed FLG transaction structure and key principles that was agreed to with the Government of Canada and confirmed by the aforementioned rating agencies and advised that the FLG supported credit rating will be very advantageous in raising the debt financing, with respect to interest costs savings and market availability, and these benefits will fully benefit the Provincial ratepayers.

893. Financing Structure

Mr. Meaney provided an overview of the financing structure that was included in the Lower Churchill Project Phase 1 Financial Briefing and stated that trust structures are commonly used to raise debt financing in the market.

Mr. Sturge advised that the financial institutions will not have any security on the project assets and do not have to do any due diligence as the debt is fully guaranteed pursuant to the FLG and will be equivalent to Canada bonds and the due diligence has been completed by the Government of Canada.

Mr. Meaney reviewed the key objectives relating to the financing structure which was reviewed and agreed to by the Government of Canada and formed the basis of the Request for Financing. He examined the financing structure options and the final financing structure that was selected, which included a series of long term bonds all issued on a single financial close date.

There was a question about the process of including the costs in the rates and Mr. Meaney stated that the PUB will continue to approve the rates for NLH but pursuant to Bill 61, the PUB will be required to include the project costs into the rates to be approved.

There was also a question regarding if there is a limit with respect to the FLG financing and Mr. Martin confirmed that if the debt financing exceeds five billion dollars, that responsibility for the additional financing costs would lie with the project companies and the Province. Mr. Meaney confirmed that the Muskrat Falls/LTA FLG financing is capped at \$2.6 billion and for the LIL is capped at \$2.4 billion.


Mr. Meaney reviewed the Request for Financing (RFF) process, including the objectives, which included a complete financial solution by means of certainty of price and placement that minimized the all-in cost for both construction and long term financing. The RFF included the scope of work of the Lead Arranger and the proponents were required to submit a fully underwritten offer of financing for the entire amount of the required funding that would be executed by placement of a single bond or series of bonds on Financial Close. He reviewed the highlights of the proposals received and the evaluation criteria and the proposed solution of three upfront bonds paid off over time to meet the amortization profile with respect to Muskrat Falls/LTA and LIL projects. He noted that with respect to the LIL, the FLG financing will be for the first forty years and the remaining 15 year period will be re-financed without the benefit of the FLG.

Mr. Sturge provided a brief update with respect to the UARB approval process in Nova Scotia, noting that there are two outstanding FLG conditions precedent that relate to the URAB and Emera that must be satisfied.

894.

TERMINATION


There being no further business, the meeting was terminated.


Secretary

70th Naicor Energy Board Meeting
November 14, 2013
Page 10 of 10

Verified at a meeting held on

March 27, 2014


Chairperson