

MINUTES OF THE SEVENTY-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 FRIDAY, MARCH 21, 2014 AT 11:15 A.M.

Present in Person: K. Marshall, Acting Chair
L. Abbass, Member
E. Breen, Member
T. Clift, Member
E. Martin, Member

Present by Telephone: A. Hawkins, Member
G. Shortall, Member

Present by Invitation: Derrick Sturge, Vice-President
Finance and Chief Financial Officer
Rob Hull, General Manager Finance
Elizabeth Lewis, Assistant Corporate
Controller

Secretary: W. Chamberlain

944. CONSTITUTION OF THE MEETING

Notice for the meeting was sent on February 27, 2014. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

The Secretary advised that Mr. Terry Styles resigned from the Board on February 28, 2014 for personal reasons and stated that he enjoyed his tenure on the Board and thanked everyone for their support.

The Secretary advised that Mr. Marshall has been appointed as Acting Chair of the Board of Directors pursuant to section 7 of the Energy Corporation Act effective March 14, 2014. He has also been appointed Acting Chair of the Newfoundland and Labrador Hydro Board of Directors. Board members congratulated Mr. Marshall on his appointment.

All invitees joined the meeting.

945. SAFETY MOMENT

Mr. Chamberlain circulated and provided a safety moment on use of motor vehicle emergency brakes.

946. VERIFICATION OF MINUTES

A copy of the minutes of the **SIXTY-NINTH, SEVENTY, SEVENTY-FIRST, SEVENTY-SECOND** and **SEVENTY-THIRD** meetings of the Board of Directors of Nalcor Energy held on October 28, November 14, November 15, December 3 and December 18, 2013 respectively, were included in the meeting papers circulated prior to the meeting.

On motion duly made by Mr. Clift, seconded by Mr. Abbass and unanimously carried, it was resolved:

THAT the minutes of the **SIXTY-NINTH, SEVENTY, SEVENTY-FIRST, SEVENTY-SECOND** and **SEVENTY-THIRD** meetings of the Board of Directors of Nalcor Energy held on October 28, November 14, November 15, December 3 and December 18, 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.

947. BUSINESS ARISING

There was no business arising.

948. BOARD COMMITTEE REPORTS**949. Audit Committee**

Mr. Shortall, Chair of the Audit Committee ("Committee"), reported that the Committee met on March 6, 2014 with Mr. Sturge, external auditors and accounting experts to examine some complex accounting issues with respect to the Lower Churchill Project and its new corporate entities and with respect to the Labrador-Island Link ("LIL") Limited Partnership.

On motion duly made by Mr. Marshall, seconded by Mr. Shortall and unanimously carried, it was resolved:

THAT Mr. Tom Clift be appointed as a member of the Audit Committee, be and it is hereby approved.

950. Compensation Committee

Mr. Marshall, Chair of the Compensation Committee ("Committee"), advised that the Committee reviewed the bargaining template with respect to IBEW regarding compensation and have compared to Government. The bargaining template with IBEW is a four year plan with an annual adjustment of wages and some additional special adjustments with respect to trade's positions.

He stated that new collective bargaining agreements are currently being negotiated with IBEW with respect to the Muskrat Falls Project.

Mr. Marshall reported that the Committee reviewed the Performance Contract payouts which were similar to the payouts from the previous year and the Committee recommends that the Board approve the Performance Contract payouts. The Committee also reviewed and recommends approval of a salary adjustment of 4% subject to a final evaluation.

On motion duly made by Mr. Clift, seconded by Mr. Marshall and unanimously carried, it was resolved:

THAT Management be and is hereby directed and authorized to proceed with a general economic adjustment of 4% to the salary scales for non-union employees and, subject to satisfactory performance as assessed by the President and CEO, to the base salaries of all Vice-Presidents and the General Counsel and Corporate Secretary, effective April 1, 2014.

On motion duly made by Mr. Clift, seconded by Mr. Marshall and unanimously carried, it was resolved:

THAT Management be and is hereby directed and authorized to proceed with the payout of 2013 performance contract payments to the Vice-Presidents and General Counsel and Corporate Secretary and to their direct reports and other eligible managers as presented to and recommended by the Compensation Committee.

The Committee will be meeting with the President and CEO to complete the review of his performance contract payout and will then make a recommendation to the Board with respect to the President and CEO's Performance contract payout and a general economic salary adjustment.

951. Safety, Health and Environment Committee

Mr. Clift, Chair of the Safety, Health and Environment Committee ("Committee"), advised that the Committee did not meet due to the unavailability of Management.

952. FINANCIAL REPORT

953. Financial Summary

Mr. Sturge introduced the Finance representatives attending the meeting. Ms. Lewis reviewed the Financial Report that was included in the Board papers circulated prior to the meeting. She advised that on a consolidated basis, actual

annual net income is \$8.1million above budget. She stated that Regulated Hydro actual net income was below the budgeted net income and then reviewed the reasons for the lower net income, including a decrease in revenue due to a delay in new rates, a decrease in fuel costs as a result of higher hydraulic production, increased insurance proceeds and decreases in depreciation and in regulatory adjustments.

She stated that Churchill Falls segmented income was tracking close to budget and that Energy Marketing actual net income was under budget for the reasons noted in the Report. With respect to Oil and Gas, she reported that actual net income was above budget as a result of increases in oil production oil prices and seismic revenue, decreases in depletion and production costs and increases in operating costs and royalties payable.

Ms. Lewis advised that Bull Arm actual net income is above budget as a result of the lease revenue but the lease revenue is being disputed by the tenant. She then reviewed the actual net expenses with respect to Phase 1 of the Lower Churchill Project.

954. Compliance Certificate

Mr. Sturge referred to the Corporate Compliance Certificate for the period ended February 28, 2014. There were no comments.

955. 2013 AUDIT

956. 2013 Consolidated Financial Statements

Mr. Hull reviewed the 2013 Consolidated Financial Statements of Nalcor Energy dated December 31, 2013 that were included in the Board papers circulated prior to the meeting. He reviewed the Consolidated Balance Sheet and the long term investment related to the Lower Churchill Project debt financing. He stated that there is an increase in contributed capital related to a shareholder equity injection and restricted cash which is under the control of the Collateral Agent pursuant to

the Lower Churchill Project financing. He noted that the Class B limited partnership units represent Emera's interest in the LIL Limited Partnership and are classified as financial liabilities because these units have certain obligations and mandatory distributions. He advised that there was an increase in property, plant and equipment attributable to the progress of the Hebron project but noted that there is also a proportionate increase in capital expenditures as well.

He then reviewed the Consolidated Statement of Income and stated that there has been significant growth in revenue primarily related to increased NL Hydro electricity sales, increased CF(L)Co GWAC revenue, increases in Nalcor Oil production and oil prices and increased Bull Arm lease revenues.

Mr. Martin joined the meeting.

Mr. Sturge referred to Note 21: Segment Information of the 2013 Financial Statements and advised that this provides a breakdown of the seven business segments which is consistent with other years and noted that there were more capital expenditures regarding the Lower Churchill Project and Oil and Gas.

With respect to Note 18.3 of the 2013 Financial Statements a concern was raised with the words "resulting loss" and it was suggested that Management review this wording with the external auditors and recommend that better wording would be "hedging premium".

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

THAT the 2013 Consolidated Financial Statements comprising of the Consolidated Statements of Financial Position, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows, all for the year-ended December 31, 2013, as tabled and initialed by the

Secretary for identification, be and they are hereby approved;
and

THAT K. Marshall and G. Shortall, or any two Directors be
and they are hereby authorized to sign said Financial
Statements on behalf of the Board.

957. Audit Results Report

Mr. Shortall advised that the Audit Committee reviewed the Audit Results Report and had an opportunity to meet with the external auditors in camera and the external auditors stated that they were satisfied with the cooperation of Management and access to information and believe the 2013 Financial Statements are fairly presented. There were no questions on the Report.

958. REVISED 2014 BUDGET

Mr. Sturge reviewed the Nalcor Energy Revised 2014 Budget that was included in the Board papers circulated prior to the meeting ("Revised Budget"). He stated that the 2014 Budget was previously approved in the December 2013 Board meeting but has been revised to incorporate the 2014 Lower Churchill Project costs ("Project"). He referred to the Project budget information at pages 46 to 52 of the Revised Budget and reviewed the breakdown of the total capital costs of the Project for the three components of Phase 1 (Muskrat Falls, Labrador Transmission Assets and Labrador-Island Link), Phase 2 being Gull Island and the Corporation's Maritime Link costs. He also reviewed the total capital budgeted costs which included direct capital costs, Interest During Construction ("IDC") and financing costs.

Mr. Martin provided an overview of the main cost categories being facilities capital costs, financing costs and operating costs and the revenue from excess energy sales. He noted that with respect to facilities capital, that the results have been good and generally as expected with respect to work being performed outside the Province. He also noted that with respect to work being performed within the Province, there have been some cost pressures related to productivity

including required design changes, the award of major Labrador-Island Link ("LIL") contracts and market pressures in a hot local market.

He stated that the expected financing costs have been reduced as a result of the approach and structure of the financing, the response from the market and the benefit of the Federal Loan Guarantee which materially reduced the overall financing costs. He then reviewed the benefits from any excess energy sales which were not included in the economics of the Project and advised that we are generally where we expected to be.

Mr. Sturge reviewed the Financing Plan that was included in the Revised Budget and stated that both CF(L)Co and Bull Arm are self-sustaining and as a result will not require financing. He stated that NL Hydro is self-sustaining and has the ability to borrow and it is expected that a debenture bond will be issued by mid-2014 for \$150 million which will be guaranteed by the Province and noted that this borrowing could be larger due to the inclusion of the Labrador West line, additional combustion gas turbine or transfer of the Abitibi hydro assets. He noted that the borrowing will require the approval of the Board and the Public Utilities Board (PUB).

He then reviewed the components of the equity requests for Nalcor with regard to the Corporation's and the Province's fiscal year and noted that there is a 2014-2015 equity funding contingency which would be required if the capital costs are revised.

On motion duly made by Ms. Breen, seconded by Mr. Abbass and unanimously carried, it was resolved:

THAT the Revised Nalcor Energy 2014 Budget (incorporating the Lower Churchill Project), as tabled and initialed by the Secretary for identification, be and it is hereby approved.

959. PRESIDENT'S REPORT**960. 2013 Performance Report**

Mr. Martin reviewed the 2013 Nalcor Plan Year-end Performance Report that was included in the Board papers circulated prior to the meeting. Pages 3 (corporate quilt) and 4 (Financial Metrics) of the Report were updated and circulated to the Board at the meeting. He reviewed the corporate quilt and reported that overall it was a solid year with respect to performance and noted that safety is taking hold across all of the companies. He stated that the environmental targets are consistently being met, net income overall was better than expected, NL Hydro experienced operational issues at the Holyrood Generating Station and Bull Arm and Oil and Gas had a good year. He advised that Lower Churchill Project financial close was achieved and the Oil and Gas seismic program was successful. He then provided a high level overview with respect to the expiration of the Twin Falls lease in 2014 and possible commercial issues.

It was noted and agreed that with respect to any performance metric in the corporate quilt that is colored red, that the actual performance achieved also be included.

961. 2014-2018 Draft Corporate Plan

Mr. Martin reviewed the 2014-2018 Draft Corporate Plan that was included in the Board papers circulated prior to the meeting. He stated that the vision, values and goals are incorporated into the respective corporate performance plans and safety and asset management are critical. He noted that with respect to the five year corporate plans that at the commencement of each year, a sixth year is added to the plan and minor adjustments are made to the incoming year's plan as required. He advised that performance measurements are established on the basis of continuous improvement but noted that if a performance target is not achieved, the target is reviewed and generally will be maintained in the incoming year's performance targets.

He reviewed the corporate quilt noting that the project execution implementation plan includes details on schedule and costs and noted that an integration leadership team has been established to oversee and ensure that operational integration issues with respect to NL Hydro, CF(L)Co and the Muskrat Falls project are coordinated. He advised that the PUB Outage Inquiry is requiring a lot of focus, effort and resources and will need to assess and make adjustments, as required.

**962. 2014-2016 TRANSPARENCY & ACCOUNTABILITY ACT
STRATEGIC PLAN**

The Secretary circulated the Nalcor Energy/Newfoundland and Labrador Hydro Draft Strategic Plan 2014-2016 Transparency and Accountability dated March 19, 2014 and asked that the Board provide any comments to Mr. Peter Hickman, Assistant Corporate Secretary on or before March 28, 2014.

963. BUSINESS UNIT REPORTS

Mr. Martin stated that the Business Unit reports were self-explanatory and that he would respond to any questions Board members had on any of the reports. There were no questions.

964. DEVELOPMENT OF NEW SCHEDULED LICENSE SYSTEM

965.

PROXY

966.

GIPCO Annual General Meeting

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

THAT Nalcor Energy, a Shareholder of Gull Island Power Company Limited ("GIPCo"), hereby appoints Ed Martin and Gilbert Bennett or, failing either of them, Derrick Sturge, as proxies of Nalcor Energy to attend, vote and otherwise act for and on behalf of Nalcor Energy at the 2014 Annual General Meeting of the Shareholders of GIPCo, and at any adjournment thereof, in respect of all matters that may properly come before the meeting, in the same manner as Nalcor Energy could, if it were an individual Shareholder, each of them to have such power in respect of fifty (50) percent of all shares of GIPCo registered in the name of Nalcor Energy;

AND

THAT any two of the Chairman, the President and Chief Executive Officer and the Secretary of Nalcor Energy, be and they are hereby authorized and directed to execute under the Corporate Seal of Nalcor Energy an instrument or instruments of proxy to the above effect;

AND

THAT the Corporation will vote its shares at the forthcoming Annual Meeting of Gull Island Power Company Limited in favour of those individuals nominated for election as Directors of GIPCo.

967. APPOINTMENT OF OFFICERS

On motion duly made by Mr. Martin, seconded by Mr. Clift and unanimously carried, it was resolved:

WHEREAS Kent Legge has resigned as General Manager Finance and Corporate Services effective February 7, 2014.

WHEREAS pursuant to Sub-section 12(1) of the Energy Corporation Act, the Board of Directors has the authority to appoint officers of the Corporation;

THEREFORE BE IT RESOLVED THAT Robert Hull be and he is hereby appointed as General Manager, Finance, effective February 8, 2014.

On motion duly made by Mr. Martin, seconded by Mr. Clift and unanimously carried, it was resolved:

WHEREAS Robert Hull has resigned as General Manager Commercial/Financing effective February 7, 2014;

WHEREAS pursuant to Sub-section 12(1) of the Energy Corporation Act, the Board of Directors has the authority to appoint officers of the Corporation;

THEREFORE BE IT RESOLVED THAT Auburn Warren be and he is hereby appointed as General Manager, Commercial, Treasury and Risk and Chief Risk Officer effective February 8, 2014.

968. OTHER BUSINESS**969. APPROVAL OF INCORPORATION/APPOINTMENT OF DIRECTORS****NALCOR ENERGY MARKETING CORPORATION**

On motion duly made by Mr. Martin, seconded by Mr. Clift and unanimously carried, it was resolved:

WHEREAS the Lieutenant-Governor in Council has authorized the incorporation of Nalcor Energy Marketing Corporation as a wholly owned subsidiary of Nalcor Energy;

THEREFORE BE IT RESOLVED THAT the incorporation of Nalcor Energy Marketing Corporation, as a wholly owned subsidiary of Nalcor Energy, be and it is hereby approved;

AND BE IT FURTHER RESOLVED THAT the individuals listed below shall be the directors of Nalcor Energy Marketing Corporation:

- Dennis Clarke
- Tom Clift
- John Green
- Ken Marshall
- Ed Martin
- Gerry Shortall

970. APPOINTMENT OF ACTING CHAIR

On motion duly made by Ms. Breen, seconded by Mr. Abbass and unanimously carried, it was resolved:

THAT the Corporation is hereby authorized to take all necessary measures to effect the appointment of Ken Marshall as Acting Chair of the board of directors of the following companies:

- Nalcor Energy-Oil and Gas Inc.
- Muskrat Falls Corporation
- Nalcor Energy-Bull Arm Fabrication Inc.
- Gull Island Power Company Island
- Labrador-Island Link General Partner Corporation
- Nalcor Energy Marketing Corporation

971. AUTHORIZATION OF SHAREHOLDER RESOLUTION

On motion duly made by Ms. Breen, seconded by Mr. Abbass and unanimously carried, it was resolved:

THAT Nalcor Energy is hereby authorized to execute a written resolution of the Shareholder of Nalcor Energy-Bull Arm Fabrication Inc. ("Bull Arm Inc.") with respect to the election of Ken Marshall as a Director of Bull Arm Inc. to hold office until the next annual meeting or until his successor is duly elected or appointed.

On motion duly made by Ms. Breen, seconded by Mr. Abbass and unanimously carried, it was resolved:

THAT Nalcor Energy is hereby authorized to execute a written resolution of the Shareholder of Gull Island Power Company Limited ("GIPCo") with respect to the election of Ken Marshall as a Director of GIPCo to hold office until the next annual meeting or until his successor is duly elected or appointed.

On motion duly made by Ms. Breen, seconded by Mr. Abbass and unanimously carried, it was resolved:

THAT Nalcor Energy is hereby authorized to execute a written resolution of the Shareholder of Labrador-Island Link General Partner Corporation ("LIL GP") with respect to the election of Ken Marshall to be a Director of LIL GP to hold office until the next annual meeting or until his successor is duly elected or appointed.

On motion duly made by Ms. Breen, seconded by Mr. Abbass and unanimously carried, it was resolved:

THAT Nalcor Energy is hereby authorized to execute a written resolution of the Shareholder of Nalcor Energy-Oil and Gas Inc. ("Oilco") with respect to the election of Gil Dalton as a Director of Oilco to hold office until the next annual meeting or until his successor is duly elected or appointed.

972.

NEXT MEETING

The next regular meeting of the Board is scheduled for Friday, June 27, 2014.

Messrs. Martin, Sturge, Hull, Chamberlain and Ms. Lewis left the meeting for the in camera meeting of the Board.

973.

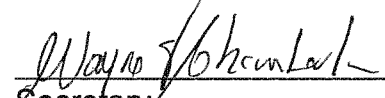
IN CAMERA

The Chair stated that there were no comments from the in camera meeting.

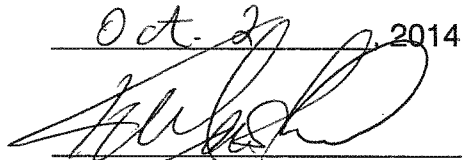
974.

TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on


Chairperson