

MINUTES OF THE SEVENTY-SIXTH 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, JUNE 20, 2014 AT 02:15 P.M.

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

Present in Telephone: L. Abbass, Member
G. Shortall, Member

Absent: E. Breen, Member
A. Hawkins, Member

Present by Invitation: Derrick Sturge, Vice-President
Finance and Chief Financial Officer
Gilbert Bennett, Vice-President Lower
Churchill Project
Dawn Dalley, Vice-President
Corporate Relations

Secretary: W. Chamberlain

975. CONSTITUTION OF THE MEETING

Notice for the meeting was sent on June 19, 2014. A quorum of Directors of Nalcor Energy and a quorum of Directors of Newfoundland and Labrador Hydro being present, the meeting was declared duly called and validly constituted for the transaction of business.

The Acting Chair advised that this meeting would be a joint meeting of both the Nalcor Energy Board of Directors and the Newfoundland and Labrador Hydro Board of Directors.

All invitees joined the meeting.

976. SAFETY MOMENT

Mr. Chamberlain circulated and provided a safety moment on a spring cleaning checklist.

977. MUSKRAT FALLS PROJECT VALUE AND COST UPDATE

The Acting Chair advised that the purpose of the meeting is to provide the Board of Directors of Nalcor Energy and the Board of Directors of Newfoundland and Labrador Hydro with an update and details on the Muskrat Falls project (Project) value and costs. He advised that there would be a press release issued next week to provide an update on the Project costs.

Mr. Bennett reviewed the Muskrat Falls Project Value and Cost Update that was circulated at the meeting. He provided an overview of Project safety performance in 2014 noting that there has been 1.1 million hours worked with one medical treatment and two lost time injuries. He stated that the two lost time injuries were related to the same contractor and had occurred within 24 hours of one another. Overall there has been a strong focus on safety which is reflected in the safety performance to date.

He then reviewed the investment in the Project noting that it provides the greatest long term value and will generate significant value and cash flows that will return substantial revenue to the province and it will enhance system reliability. He stated that market conditions have driven some project costs higher but the total value of the Project provides opportunities to offset these costs. He stated that the Project will meet the growing demand for power and provide long term rate stability and eliminate reliance on foreign oil to generate electricity. He noted that greenhouse gas emissions will be nearly eliminated and the Project will provide significant employment and economic benefits and provide an opportunity to control our future energy requirements.

Mr. Bennett reported that 98% of the detailed project engineering is complete and that contracts have been awarded or under evaluation for greater than 90% of the Project costs. He confirmed that there is an environmental assessment release for both generation and transmission but noted that there are several court challenges and it is believed they will not have any material impact. He advised that the Project is on schedule with first power in 2017 and both the Federal Loan Guarantee and project financing are completed. He also noted that the Maritime Link has been sanctioned and there is an opportunity for excess energy sales.

He then provided an overview of the major 2014 Project activities, including the award of major contracts and commencement of construction work with respect to drilling, transmission lines and site preparation. He noted that transmission line right-of-way clearing is well underway with the construction of twenty to thirty transmission line towers to date. He stated that the Strait of Belle Isle drilling program will be completed in 2014, work is continuing at Soldier's Pond and the converter station contract has been awarded.

Mr. Bennett provided an overview of the employment benefits noting that the workforce as of April was approximately 1,785 workers and is expected to reach 2,500 workers by year end and will peak in 2015 at 3,300 workers. He then provided a breakdown of the composition of the workforce from a residency, gender and aboriginal perspective.

He also provided an overview of the economic and income benefits of the Project between January 2013 to April 2014 and the total incurred costs as of April 2014. He reviewed the global procurement nature of the Project and its contractors and then examined the components of overall Project value including revenue, costs, quality/reliability and schedule. He stated that revenue is comprised of domestic energy sales, water rentals and opportunities with respect to excess power sales, storage and transmission and noted that only domestic energy sales are included

in the economic model. He stated that costs are comprised of three main categories that being capital, financing and operating costs. He stated that with respect to quality and reliability that the Project is building long term quality assets.

Mr. Bennett reviewed the key changes in cost and revenue components since Project sanction in December 2012 and provided an overview of the productivity and performance enhancements and the quality and system reliability improvements. He also examined the market condition drivers, including labour productivity and a highly competitive labour market. He reviewed the capital costs outlook from Project sanction to June 2014 noting the 2014 capital cost estimate, the aforesaid three cost growth contributors and the cost increases attributable to each.

Mr. Martin advised that meetings have been held with the Premier and the Minister to review the increase in costs and any potential rate impact and associated mitigation measures.

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

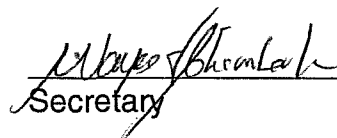
THAT the Board hereby approves the cost amendment for the Muskrat Falls Project as presented at the meeting of the Board of Directors on June 20, 2014;

AND FURTHER recommends to the Shareholder to contain and offset any resultant rate impacts from the cost amendment to the levels communicated at the time with respect to Project sanction in 2012 in accordance with the base set of assumptions.

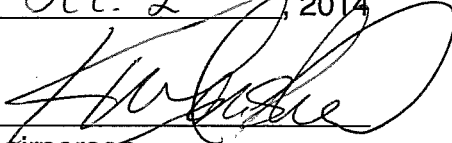
978.

TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

Oct. 2, 2014

Chairperson