

MINUTES OF THE SEVENTY-EIGHTH MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE CONFERENCE ROOM, NLH REGIONAL OFFICE, HAPPY-VALLEY GOOSE BAY, NEWFOUNDLAND AND LABRADOR ON THURSDAY, OCTOBER 2, 2014 AT 10:30 A.M.

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

Present by Telephone: E. Breen, Member

**Present by Invitation
(by Telephone):** D. Sturge, Vice-President Finance
and Chief Financial Officer

Secretary (acting): P. Hickman

1009. CONSTITUTION OF THE MEETING

Notice for the meeting was sent on September 16, 2014. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

1010. SAFETY MOMENT

The Chair provided a safety moment on Halloween safety.

Mr. Clift agreed to present the safety moment at the next regularly scheduled Nalcor Board meeting.

1011. VERIFICATION OF MINUTES

A copy of the minutes of the **SEVENTY-FOURTH, SEVENTY-FIFTH, SEVENTY-SIXTH** and **SEVENTY-SEVENTH** meetings of the Board of Directors of Nalcor Energy held on March 7, 2014, March 21, 2014, June 20, 2014 and

June 26, 2014, respectively, were included in the meeting papers circulated prior to the meeting.

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

THAT the minutes of the **SEVENTY-FOURTH, SEVENTY-FIFTH, SEVENTY-SIXTH** and **SEVENTY-SEVENTH** meetings of the Board of Directors of Nalcor Energy held on March 7, 2014, March 21, 2014, June 20, 2014 and June 26, 2014, 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.

1012. BUSINESS ARISING

1013. ACTION LIST

The Board reviewed the Action List, a copy of which was included in the meeting papers. The Secretary noted that details on Energy Marketing's market participation power purchases was provided to the Board, as was a listing of known bond holders regarding Muskrat Falls financing.

1014. AUDIT COMMITTEE REPORT

It was agreed that the Report from the Audit Committee would be deferred to the next meeting of the Board.

1015. FINANCIAL REPORT**1016. Financial Summary**

Mr. Sturge reviewed the Financial Summary, a copy of which was included in the meeting papers. He reviewed the Headlines included in the Report.

Mr. Sturge noted that Churchill Falls net income is below budget by \$4.6 million largely due to a decrease in energy sales, resulting from a decrease in the HQ load. As well, he noted that the numbers relating to CF(L)Co do not reflect any loss of revenue that may occur due to the recent cable fire. More information will be available in this regard at the next meeting.

Mr. Sturge noted that the forecast for net income for Nalcor includes \$29 million from interim rates. As was noted in the NLH Board meeting immediately preceding this meeting, NLH's Interim Rates Application to the PUB was rejected. While another application will be submitted along with the GRA at the end of October, there is a risk that there will be no interim rates approved for 2014.

**1017. NEM – Financial Recommendations**

Mr. Sturge reviewed a presentation included in the meeting papers relating to financial recommendations with respect to Nalcor Energy Marketing.

Mr. Sturge stated that Agreements will be finalized such that revenues will pass through NLH to NEM with respect to exported energy sales. These should be

finalized by the end of the year. However, in the meantime, NEM requires money to manage its operating expenses. It is therefore recommended by Management that the Board approve an equity injection by Nalcor into NEM up to an amount of \$2 million.

In addition, Mr. Sturge stated that NEM may require up to \$20 million in credit, to support initial collateral requirements, as well as ongoing requirements. In order to do this, it requires a parental guarantee. It is the recommendation of Management that the Board of Directors approve a provision by Nalcor of an unconditional and irrevocable guarantee for a Demand Operating Loan and Credit Agreement in the amount of \$20 million, between NEM and the Bank of Nova Scotia.

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

THAT the Corporation provide financial support to Nalcor Energy Marketing Corporation in the form of equity injections, not to exceed \$2.0 million, until such time as the Power Purchase Agreement between Newfoundland and Labrador Hydro and Nalcor Energy Marketing Corporation is executed.

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

THAT the Corporation provide an unconditional and irrevocable guarantee for the Demand Operating Loan Credit Agreement in the amount of \$20 million, between Nalcor Energy Marketing Corporation and the Bank of Nova Scotia (the "Guarantee"); and

AND BE IT FURTHER RESOLVED THAT any two officers or directors of the Corporation be and are hereby authorized and directed to negotiate, execute and deliver or cause to be executed and delivered such instruments, agreements, certificates, deeds, assignments, acknowledgements, declarations, documents,

undertakings and writings as in their discretion may be necessary or desirable to formalize and effect the Guarantee.

1018. LCP Combined Financial Statements

Mr. Sturge stated as part of the Government's oversight of the Muskrat Falls project, they have asked that a combined set of LCP financial statements be produced. He stated that this has been done by combining all of the financial statements of the various LCP entities. He noted that each of the individual Boards of Directors approved the financial statements relating to their company. He also noted that the combined statements had been audited.

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

THAT the 2013 LCP Combined Financial Statements comprising of the Combined Statement of Financial Position, Combined Statement of Loss and Comprehensive Income, Combined Statement of Changes in Partners' Equity and the Combined Statement 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.

1019. Corporate Compliance Certificate

The Corporate Compliance Certificate for the period ended August 31, 2014, a copy of which was included in the meeting papers, was noted.

1020 PRESIDENT'S REPORT

1021. 2014 Nalcor Plan Performance Report

Mr. Martin noted the Performance Report included in the meeting papers. He stated that the key items in the Report had been discussed at the NLH Board meeting which immediately preceded this meeting.

1022. BUSINESS UNIT REPORTS**1023. Newfoundland and Labrador Hydro**

The Newfoundland and Labrador Hydro Report that was included in the Board papers was reviewed at the NLH Board meeting immediately preceding this meeting.

1024. Lower Churchill Project

The Lower Churchill Project Business Unit Report included in the Board papers circulated prior to the meeting was noted.

1025. Oil and Gas

The Oil and Gas Business Unit Report included in the Board papers circulated prior to the meeting was noted.

**1026. Bull Arm**

The Bull Arm Business Unit Report included in the Board meeting papers that was circulated prior to the meeting was noted. The Chair noted that Mr. Hawkins had informed him that an individual had brought forward to Mr. Hawkins a human rights issue with respect to the Bull Arm site. It was agreed that this issue would be handled through the Corporation's whistle blower process.

1027. APPROVAL OF BY-LAW NO. 2

Mr. Clift reported that the Governance Committee had reviewed By-Law No. 2 which is included in the meeting papers. He stated that the Committee supports the approval of that By-Law.

On motion duly made by T. Clift, seconded by G. Shortall and unanimously passed, it was resolved:

WHEREAS section 10 of the *Energy Corporation Act* authorizes the Board of Directors to make by-laws relating generally to the affairs of the Board and the Corporation;

THEREFORE BE IT RESOLVED THAT the President is hereby authorized and directed to sign the General Business By-law No. 2 of the Corporation and it is hereby enacted as a by-law of the Corporation.

1028. RATIFICATION OF EMAIL RESOLUTION

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

THAT the email approval of the Board of Directors of the appointment of the President and CEO to the Board of Directors of Medavie Blue Cross, be and it is hereby ratified.

1029. APPOINTMENT OF OFFICER

Mr. Sturge noted that Auburn Warren had been filling the role of Chief Risk Officer, but given the recent appointment of Angelina Vavasour to the position of Chief Risk Officer, he no longer carries out that function. It is therefore necessary to change the title of Mr. Warren's position to reflect this change.

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

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.

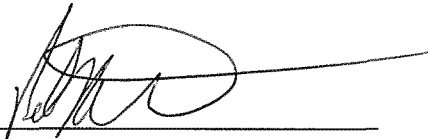
1030. IN CAMERA

Mr. Sturge and Mr. Hickman left the meeting at this time. The Board then held an in camera session.

Mr. Martin then left the meeting and the other members of the Board held a further in camera session. There were no issues arising from those in camera sessions.

1031. TERMINATION

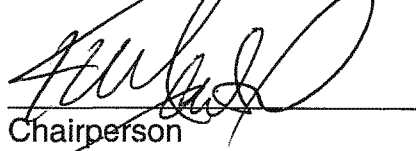
There being no further business, the meeting was terminated.



Secretary

Verified at a meeting held on

November 28, 2014



Chairperson