

**MINUTES OF THE SEVENTY-NINTH 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, NOVEMBER 28, 2014 AT 11:00 A.M.**

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

**Present by Invitation:** D. Sturge, Vice-President Finance  
and Chief Financial Officer  
D. Dalley, Vice-President Corporate  
Relations  
A. Warren, General Manager  
Commercial, Treasury and Risk  
S. Pelley, Corporate Treasurer

**Secretary (acting):** P. Hickman

**1032. CONSTITUTION OF THE MEETING**

Notice of the meeting was sent on November 3, 2014. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

**1033. SAFETY MOMENT**

Mr. Clift provided a safety moment on safe practices when dealing with broken glass. Mr. Abbass volunteered to provide a safety moment at the next regularly scheduled Nalcor Board meeting.

**1034. APPROVAL OF AGENDA**

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

**THAT** the Agenda of the 79th Meeting of the Board of Directors of Nalcor Energy, which Agenda is currently before this meeting, be and it is hereby approved.

**1035. VERIFICATION OF MINUTES**

A copy of the minutes of the **SEVENTY-EIGHTH** meeting of the Board of Directors of Nalcor Energy held on October 2, 2014 were included in the meeting papers circulated prior to the meeting.

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

**THAT** the minutes of the **SEVENTY-EIGHTH** meeting of the Board of Directors of Nalcor Energy held on October 2, 2014, 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.

**1036. ACTION LIST**

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

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**1037. COMMITTEE REPORTS**

**1038. Audit Committee**

Mr. Shortall provided a report to the Board with respect to the Audit Committee meetings held in September and November.

With respect to the Audit Committee meeting held in September, Mr. Shortall stated that the Committee reviewed and discussed a number of items at that meeting, including reviewing the Corporation's Q2 Financial Statements and related MD&A Report, reviewing the July 31<sup>st</sup> Financial Report, reviewing the Finance Department Restructuring, reviewing the Deloitte Management Letter (he noted that there were no issues), discussing Enterprise Risk Management (ERM) and reviewing the Internal Audit Plan.

At the November meeting of the Audit Committee they reviewed the Q3 Financial Statements of the Corporation and the related MD&A, which the Committee recommends be approved by the Board of Directors. They also met with external auditors to review the Q3 Statements and MD&A. The Committee reviewed the Enterprise Risk Management Policy and as well received information on various activities in the Internal Audit area. Mr. Shortall also stated that a presentation on Cyber Security was given at the Nalcor Audit Committee meeting. He recommended that this presentation be given to the full Board.

Mr. Bradbury joined the meeting at this time.

Mr. Martin stated that Mr. Bradbury will soon be retiring from his position as Manager of Internal Audit. The Board thanked him for his efforts in the position over the past three years. Mr. Martin stated that when he appointed Mr. Bradbury he had expectations as to what Mr. Bradbury would do in the Department and he has fulfilled these expectations. The Board commended Mr. Bradbury on the work he has carried out as Manager of Internal Audit.

Mr. Bradbury left the meeting at this time.

#### **1039. Governance Committee**

Mr. Clift provided a Report on the recent meeting of the Governance Committee. He noted that the Whistle Blower Policy is being implemented and should be fully

implemented in the New Year. With respect to Board assessment, the Governance Committee recommended a self-assessment be carried out in 2015, with a peer review to be carried out in 2016.

Mr. Clift stated that the Governance Committee also reviewed the ERM policy. He stated that both the Governance Committee and the Audit Committee agreed that "ownership" of the ERM policy will reside with the Governance Committee except for financial risks, which will reside with the Audit Committee.

Mr. Martin reported that with respect to work in Corporate Governance to be performed by an external consultant, a proposal has been drafted and will soon be released. He also noted that he is scheduled to speak at the St. John's Board of Trade Luncheon on December 18<sup>th</sup> and he will make some comments with respect to governance at NLH during that speech.

**1040. Safety, Health and Environment Committee**

Mr. Clift reported that the SHE Committee recently held a meeting. In addition to reviewing the usual items, the Committee received a presentation on the Corporation's Alcohol and Drug Program and its implementation over the coming months. He stated that at the meeting the Committee discussed community related items and learned that the oversight of such items usually falls within a Board Committee and it is often the Safety and Health Committee. It is the recommendation of the SHE Committee that oversight of the Corporation's community activities be included in the mandate for the SHE Committee.

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

**THAT** the oversight of Corporate Community Activities rest with the Safety, Health and Environment Committee of the Board and that the name of the Committee be changed to Safety, Health, Environment and Community.

The Mandate of the Committee will be revised to reflect the above decision and will be brought forward to the Board for approval.

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

**THAT** Leo Abbass be appointed as a member of the Safety, Health, Environment and Community Committee.

**1041. Compensation**

Mr. Marshall reported that the Compensation Committee had met on the previous day. A presentation which had been given to the Committee related to senior management compensation at that meeting was provided to the full Board earlier on the day of the Board meeting.

**1042. ENTERPRISE RISK MANAGEMENT (ERM) POLICY**

The ERM policy had been included in the meeting papers for consideration for the Board. A revised version of the policy was distributed at the meeting reflecting changes arising out of both the Governance and Audit Committees review of the year end.

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

**THAT** the revised Enterprise Risk Management Policy statement presented to the Board of Directors at its meeting of November 28, 2014, be and it is hereby approved.

**1043. FINANCIAL REPORT**

Mr. Sturge reviewed the Financial Report included in the meeting papers.

In reviewing the segment earnings, Mr. Sturge stated that the year-end forecast for NLH is still uncertain as it is contingent on whether PUB approval is received

for various applications, including the one relating to interim rates. He stated that CF(L)Co earnings are down from budget by approximately \$2.7 million due to a decrease in revenue resulting from a decrease in load on the part of HQ. He also noted that Bull Arm Fabrication's earnings are forecast to be up by approximately \$2.5 million at year end. He stated that the lease payments are continuing to be received even though they are in dispute.

With respect to 2014 forecast capital expenditures, he stated that NLH forecast capital expenditures are higher than budget due to the work on the combustion turbine, as well as other capital work that became necessary to complete.

In reviewing the capital expenditures related to the Maritime Link, Mr. Martin discussed ways in which Nalcor monitors the Maritime work carried out by Emera Inc. The Corporation has audit rights as outlined in the formal agreements and both internal and external auditors are utilized in this regard. As well, there is a management committee involving the two utilities and tie breaking on major decisions rests with Mr. Martin.

With respect to capital expenditures for the Lower Churchill Project, their forecast will be less than budgeted as the project is slightly behind schedule. Mr. Martin stated however, that work progress is improving.

Mr. Shortall raised the issue of "changes in working capital". He believes that they should not be included in the statements under operations but rather in investing activities. Mr. Sturge stated that he would discuss this with the auditors. It was agreed that no changes would be made in this regard with respect to the Q3 statements.

**1044. Q3 - FINANCIAL STATEMENTS AND MD&A**

The Corporation's 2014 Q3 Financial Statements and Management's Discussion and Analysis were included in the meeting papers.

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

**THAT** the Nalcor Energy Consolidated Financial Statements and Management Discussion and Analysis for the period ended September 30, 2014, 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.

**1045. 2015 BUDGET**

Auburn Warren and Scott Pelley joined the meeting at this time.

A presentation relating to the 2015 Budget was included in the meeting papers.

The Board reviewed the Oil and Gas highlights section of the presentation. At a recent Oilco Board meeting Mr. Warren had been asked to obtain the latest PIRA forecast for 2015 given that it has been very volatile. He stated that he obtained that forecast and it is \$76.50 on average which is a five dollar drop from that used for the budget. It was agreed that the budget would be based on the \$76.50 figure, which will result in a change to net income.





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

**THAT** the Nalcor Energy Operating Capital Budgets for 2015 and the Financing Plan for 2015 is tabled and initialed by the Secretary for identification, be and it is hereby approved subject to revisions made to effect the decisions of the Board relating to Oil and Gas and Energy Marketing.

**1046. 2015 FINANCIAL RISK MANAGEMENT STRATEGY**

The 2015 Financial Risk Management Strategy included in the meeting papers was reviewed.

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

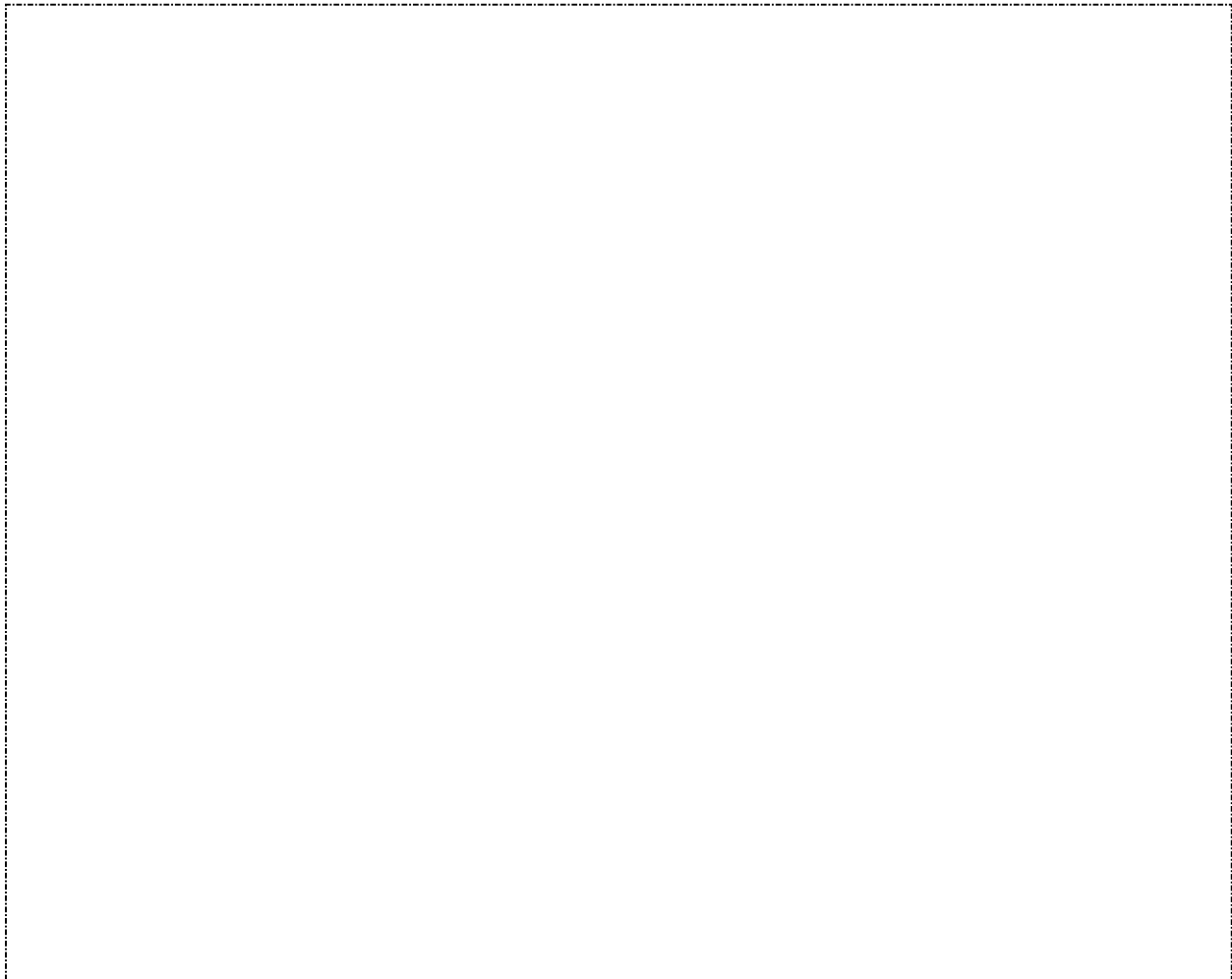
**THAT** the 2015 Financial Risk Management Strategy, as tabled and revised to reflect the decision of the Board with respect to Energy Marketing and initialed by the Secretary for identification, be and it is hereby approved.

**1047. CORPORATE COMPLIANCE CERTIFICATE**

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

**1048. NALCOR ENERGY MARKETING – FINANCIAL  
RECOMMENDATIONS**

Mr. Pelley reviewed the presentation included in the meeting papers outlining financial recommendations relating to Nalcor Energy Marketing. He stated that



Messrs. Warren and Pelley left the meeting at this time.

**1049. MF/LTA AND LIL PROJECT FINANCE AGREEMENTS  
- PROPOSED AGREEMENTS**

The presentation included in the meeting papers relating to MF/LTA and LIL Project Finance Agreements was included for the information of the Board members and was noted.

**1050. RATIFICATION OF EMAIL APPROVAL – APPOINTMENT  
TO COMPENSATION COMMITTEE**

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

**THAT** the email approval of the Board of Directors of the appointment of Gerry Shortall to the Compensation Committee of the Board of Directors, be and it is hereby ratified.

**1051.            RATIFICATION OF EMAIL APPROVAL – ELECTION OF  
                     L. ABBASS TO SUBSIDIARY BOARDS**

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

**THAT** the email approval of the Board of Directors of the election of Leo Abbass as a member of the Boards of Directors of Labrador-Island Link Operating Corporation and Nalcor Energy-Bull Arm Fabrication Inc., be and it is hereby ratified.

**1052.            2014 NALCOR PLAN PERFORMANCE REPORT**

Mr. Martin reviewed the Performance Report included in the meeting papers. In reviewing the quilt he stated that there was nothing new to report. He stated that those items which are colored yellow were in hand and it is anticipated that there will be recovery so as targets will be achieved.

With respect to the Lower Churchill Project, Mr. Martin stated that everything is still on schedule and on budget in context of the \$6.99 billion except with respect to Muskrat Falls construction which is slightly behind schedule. He stated the safety performance is very good and the quality is very high. The one area of risk which is being focused on is as it relates to Astaldi, which is the main contractor for the construction of the Muskrat Falls Power House. Although the work progress was slow in the beginning, improvements are being made steadily and the Corporation is working closely with the Contractor. He noted that there would be Christmas layoffs made at the site and there will be less employees rehired after the layoff, which was anticipated.

Mr. Martin reported that the prime contractor on the Labrador-Island Link and Labrador Transmission Assets work, Valarde, is performing well with respect to

both projects. He also noted that the drilling carried out on the Strait of Belle Isle inter-tie is ahead of schedule and under budget.

Mr. Martin provided information to the Board on progress related to the installation of the combustion turbine at Holyrood. He stated that a significant amount of work has been carried out and installation time has been reduced by several months. He stated that some delays have been experienced, largely related to weather. He stated that however the emphasis is to get the work done safely and properly.

**1053. 2015 CORPORATE PLAN**

The 2015 Corporate Plan included in the meeting papers was noted.

**1054. BUSINESS UNIT REPORTS**

The various Business Unit Reports included in the meeting papers were noted.

Dawn Dalley joined the meeting at this time.

**1055. EMPLOYEE RECOGNITION**

Mr. Martin stated that he would like to recommend to the Board to authorize providing gifts of recognition to deserving employees up to a value of \$50.00. He believes it would be appropriate to present this recognition to such employees and to ensure that such actions are appropriately authorized.

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

**THAT** Management be authorized to provide gifts recognizing outstanding employee performance up to an amount of \$50.00 in value.

**1056. REPORT ON COMMUNITY ACTIVITIES**

As noted previously in the meeting, the Safety, Health and Environment Committee at its recent meeting had discussed the Corporation's community activities being included in the mandate of that Committee. The Board agreed with this. It was agreed that Ms. Dalley would provide a regular report to the Committee at its meetings.

**1057. STRATEGIC PLANNING**

Mr. Martin stated that he would like for the Board to hold a Strategic Planning session in the February timeframe, for a day or two. The Board agreed with this suggestion. Mr. Martin then provided them with a binder with information relating to Corporate Planning for their review prior to the session.

Mr. Martin left the meeting at this time.

**1058. WINTER READINESS MEDIA SESSION**

Ms. Dalley reported on a media session that had been held on the previous day relating to Winter Readiness. She stated a positive message on NLH's Winter Readiness was provided. Although the Corporation does not anticipate any problems in this regard, she stated the process for informing the public of any such problems was outlined to the media.

Ms. Dalley then outlined a program put in place with respect to a public campaign relating to winter readiness.

Ms. Dalley outlined efforts ongoing to continually improve Nalcor's reputation. She stated the focus had been shifted to a more pro-active approach in that regard. It was also determined that the Corporation needed to do more direct messaging to consumers and the Corporation has been working with M5 Marketing in this regard. She stated that the focus will be on NLH first and then

Nalcor Energy. Ms. Dalley also noted that Oilco is working with M5 Marketing on an offshore Oil and Gas marketing strategy.

Ms. Dalley left the meeting at this time.

**1059. ANNUAL WORK PLAN**

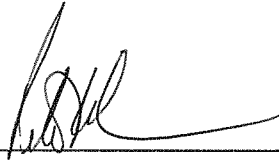
The Board's Annual Work Plan included in the meeting papers was noted.

**1060. MEETING SCHEDULE**

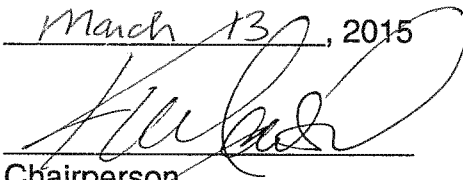
The 2015 Meeting Schedule was noted. It was noted that the Lower Churchill Project has suggested that the Board meet with the Innu sometime in 2015.

**1061. TERMINATION**

There being no further business, the meeting was terminated.

  
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Secretary

Verified at a meeting held on

March 13, 2015  
  
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Chairperson