

MINUTES OF THE EIGHTY-SECOND MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, APRIL 2, 2015 AT 2:00 P.M.

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

Present by Telephone: G. Shortall, Member

Absent: E. Breen, Member

**Present by Invitation
(by Telephone):** D. Sturge, Vice-President Finance
and Chief Financial Officer
C. Kieley, Vice-President Strategic
Planning and Business Development
R. Hull, General Manager Finance
G. Jones, General Manager Energy
Marketing

Secretary (acting): P. Hickman

1105. CONSTITUTION OF THE MEETING

Notice of the meeting was sent out to all Directors on March 23, 2015. A quorum of Directors being present, the meeting was declared duly called and validly constituted.

1106. SAFETY MOMENT

Mr. Hickman provided a safety moment with respect to calling 911 and "how to best use it if we have to".

1107. APPROVAL OF AGENDA

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

THAT the Agenda of the 82nd Meeting of the Board of Directors of Nalcor Energy, which Agenda is currently before this meeting, be and it is hereby approved.

1108. APPROVAL OF NEM FINANCING**1109. UPDATE****RE: READY FOR COMMERCIAL INTEGRATION (RFCI)**

Mr. Martin explained that fundamental changes to the electrical system in the Province of Newfoundland and Labrador will be necessary upon the inter-connection of the system to the rest of North America. There will be a requirement to adhere to certain reliability standards, amongst other things. He stated a great deal of work has been ongoing within the Corporation with respect to this reorganization. He felt it was an appropriate time to provide the Board with an update on this work.

Mr. Martin noted that the Provincial Government has been involved in the exercise and are fully informed concerning its progress. In addition they have

external consultants involved in the process. The Government strongly supports the work that is ongoing and will continue to be involved.

Mr. Martin also noted that external resources are involved in the process, including external counsel in the United States and Canada, as well as KPMG. He stated that consideration has been given to retaining a communications firm that has been involved in this kind of restructuring in the past.

Mr. Martin stated that internally a steering committee involving senior Leadership is in place overseeing the process, with various sub-committees having been formed as well.

Mr. Hull reviewed the presentation that was distributed to the Board members prior to the meeting. He stated that the purpose of the work that is ongoing is to establish a long-term organizational design for the system operator, generation fleet and transmission, as well as to establish required corporate, regulatory and legislative support structures required to effectively implement those items. He stated that they are also identifying key elements of the design to ensure a continued reliable and cost effective provision of electricity services to serve NL customers; the appropriate level of control for the dispatch of energy and capacity (including water management); compliance with existing contracts; and optimal financial benefits for the people of the Province.

Mr. Hull then reviewed the reasons for the change in design in the system as outlined in the Report, as well as the methodology that is being utilized in this regard.

Mr. Clift inquired as to whether the Board could be provided with a more in-depth analysis of export markets. It was agreed that this information would be provided to the Board at a later date.

Mr. Hull reviewed the objectives that are to be achieved through the redesign of this system, which were outlined in the report.

The Board discussed reliability standards that the provincial system will have to adhere to. Mr. Martin stated that presently the Newfoundland and Labrador system is very close to being compliant with these standards. It is estimated that approximately \$10 to \$12 million in capital work is necessary to achieve full compliance. He also noted that reliability stats show that NLH is ahead of the rest of the country on almost all reliability indicators.

In response to an inquiry, Mr. Hull outlined requirements with respect to open access on Newfoundland's system. He stated that there is a principle of reciprocity in that appropriate open access would have to be provided to other entities on the system. This has been reviewed with external counsel and there are no issues in this regard. The appropriate transmission agreements are in place and NLH will maintain all transmission rights and these will be assigned as appropriate. The fact that Nalcor has the exclusive franchise over the sale of wholesale electricity in Newfoundland and Labrador is in compliance with open access. The open access requirements are in relation to transmission access, and such open access will be provided. Also, as part of the open access requirements there will need to be unbundling of the marketing arm and the system operations, and this separation is in place.

Mr. Hull then reviewed the section of the Report relating to the preferred design selection.

Mr. Kieley noted that the Corporation is receiving advice on selecting the design and in doing so is learning from mistakes that other jurisdictions have made. This will help to create maximum value to the Province.

Mr. Hull reviewed other jurisdictions' designs which were considered. The focus was on jurisdictions that have the same opportunities as Newfoundland and Labrador, these being Ontario, Manitoba and Quebec. Mr. Hull outlined at a high level the designs which exist in these three jurisdictions.

Mr. Hull then reviewed the key messages/recommendations outlined in the Report. He noted that in order to achieve the key principles that are outlined, it would be necessary to make legislative amendments. The Corporation is working with the Government on these amendments.

Mr. Jones reviewed the diagram outlining the centralized model included in the Report. He noted that the items shaded in blue will be subject to regulation under the new system.

Mr. Hull then reviewed the second diagram relating to the centralized model and explained the breakdown of the various Nalcor entities and what they will be responsible for.

Mr. Martin stated that the expected timeline for implementing this new system is January 2016, with any legislative changes being made in the spring of 2016.

Mr. Martin stated that he would provide further information in the coming months to the Board with respect to organization design.

Messrs. Kieley, Jones and Hull left the meeting at this time.

1110. GENERAL AUDITOR SELECTION PROCESS

Prior to the meeting, information was circulated to the Board members with respect to the General Auditor Selection Process which had been carried out to find a replacement for Mr. Mark Bradbury as Manager, Internal Audit. Mr. Martin stated that Mr. Bradbury submitted his resignation and an exhaustive process

was then undertaken to find his replacement. He outlined the process to the Board Members and stated that he is very pleased with the recommended candidate for the position, Ms. Jackie Borden. He noted that Ms. Borden is presently working in Nalcor's Internal Audit Department in the position of Audit Lead, Governance, Risk and Control.

Mr. Martin provided information on Ms. Borden's background and experience. He stated that he and Mr. Bradbury are both of the opinion that she should be appointed to the position of Manager, Internal Audit. The Board agreed with the appointment of Jackie Borden as the new Manager, Internal Audit.


Mr. Clift left the meeting at this time.

1111. IN CAMERA SESSION

Mr. Hickman left the meeting at this time and an in camera session was held.

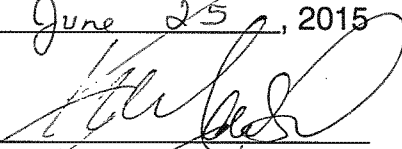
1112. TERMINATION

There being no further business, the meeting was terminated.



Secretary

Verified at a meeting held on

June 25, 2015


Chairperson