

MINUTES OF THE EIGHTY-EIGHTH 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, OCTOBER 2, 2015 AT 11:00 A.M.

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

Present by Invitation: D. Sturge, Vice-President Finance and Chief Financial Officer
D. Dalley, Vice-President Corporate Relations

Secretary: P. Hickman

1162. CONSTITUTION OF THE MEETING

Notice of the meeting was sent to all Directors on September 16, 2015. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

1163. SAFETY MOMENT

Mr. Abbass provided a safety moment on preparing your car for the winter.

1164. APPROVAL OF AGENDA

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

THAT the Agenda of the 88th Meeting of the Board of Directors of Nalcor Energy, which Agenda is currently before this meeting, be and it is hereby approved.

1165. VERIFICATION OF MINUTES

A copy of the minutes of the 83rd, 84th, and 85th meetings of the Board of Directors of Nalcor Energy held April 13, 2015, May 13, 2015 and June 25, 2015, respectively, were included in the meeting papers circulated prior to the meeting.

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

THAT the minutes of the **EIGHTY-THIRD, EIGHTY-FOURTH, and EIGHTY-FIFTH** meetings of the Board of Directors of Nalcor Energy held on April 13, 2015, May 13, 2015 and June 25, 2015 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.

1166. BUSINESS ARISING

There was no business arising.

1167. ACTION LIST

The Board of Directors reviewed the Action List included in the meeting papers.

1168. Comparison of NL and Nova Scotia Electricity Rates Post Maritime Link

One of the items on the action list was for Mr. Sturge to provide information to the Board comparing NL and Nova Scotia electricity rates post Maritime Link.

Mr. Sturge stated that such a comparison is difficult as there has been no indication as to what the Nova Scotia rate will be post Maritime Link. He stated that presently the Newfoundland rate to retail customers is 10.6 cents per kilowatt hour compared to the Nova Scotia retail rate of 14.9 cents per kilowatt hour. He noted that as of January 1, 2016, HST will be added on to the Newfoundland rate.

Mr. Martin provided information to the Board on the benefits of Muskrat Falls versus the isolated island scenario. He reviewed the comparison at sanction as well as at present, taking into account the increases in costs of Muskrat Falls. He stated that the estimated benefit to the Province for the first 50 years of Muskrat Falls is >\$60 billion.

Dawn Dalley joined the meeting at this time.

Mr. Martin provided information on rates post Muskrat Falls and how they have changed since sanction. He also provided information to the Board with respect to rates smoothing and stated that he would provide a more detailed presentation in this regard at a later date.

The Board inquired if there are any projections with respect to the Canadian average rate. Ms. Dalley stated that it is hard to determine as there are different levels of detail available. She stated that the rates for all provinces are increasing, some more than others.

Ms. Dalley reviewed results of a poll taken September 22 and 23, 2015 with respect to Muskrat Falls. She stated that she would distribute the results of the poll to the Board of Directors at a later date.

The Board reviewed the remainder of the action list. All items were crossed off.

Mr. Clift agreed to do the safety moment at the next regularly scheduled meeting.

1169. COMMITTEE REPORT

1170. Audit Committee

Mr. Shortall provided an update to the Board with respect to the recent Audit Committee meeting. He stated that the Audit Committee reviewed the Financial

Report to the Board. As well they received presentations on business systems update, work being carried out on the financial policies and procedures and updates on COSO and financial reporting. As well, the Board reviewed the Management Letter and the 2015 External Audit Plan with the external auditors. The Committee then reviewed the Internal Audit Annual Report and Five Year Plan with the Manager of Internal Audit. He stated that an in camera session was held with the Manager of Internal Audit and the external auditors, as well as Mr. Sturge. The Committee asked the Manager of Internal Auditor to carry out a periodic comprehensive review of the external auditors. Finally, Mr. Shortall noted the concern expressed by auditors with respect to the value of the Gull Island assets included in the Gull Island Power Corporation Limited financial statements.

1171. FINANCIAL REPORT

1172. Financial Summary

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

Mr. Sturge reviewed the Segment Earnings slide included in the Report. He reviewed the year-to-date and forecasted annual earnings for each of the segments. He noted that with respect to regulated NLH, the numbers assume that NLH will receive positive decisions from the Public Utilities Board with respect to all of its applications submitted to the PUB. He stated that there is a risk that this may not be the case.

Mr. Sturge then reviewed the capital expenditures for each of the segments as outlined in the Report. He stated that capital expenditures are presently above budget for NLH due to carryovers from 2014.

1173. Corporate Compliance Certificate

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

1174. PRESIDENT'S REPORT

The Corporate Performance Report included in the meeting papers was noted.

1175. BUSINESS UNIT REPORTS

1176. Bull Arm

Chris Kieley joined the meeting at this time.



1177. Energy Marketing



1178. ORGANIZATIONAL TRANSITION – LONG TERM

ELECTRICITY OPERATIONS

Gerard McDonald joined the meeting at this time. Mr. McDonald provided copies of a presentation to the Board members with respect to the organizational

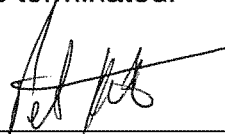
transition to the change in electricity operations. He then reviewed the presentation with the Board of Directors.

1179. DATE OF NEXT MEETING

It was noted that the date of the next meeting is Friday, November 27, 2015.

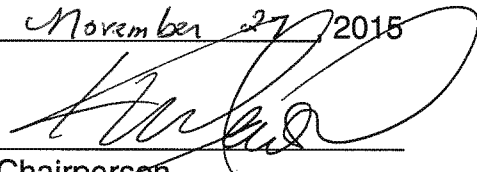
1180. TERMINATION

There being no further business, the meeting was terminated.



Secretary

Verified at a meeting held on

November 27, 2015


Chairperson