

MINUTES OF THE NINETY-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 THURSDAY, MAY 12, 2016 AT 10:00 A.M.

Present in Person: J. Green, Chair
D. Brewer, Member
H. Jacobs, Member
C. Loomis, Member
S. Marshall, Member

Present by Invitation: D. Sturge, Vice-President Finance and CFO
C. Russell, General Manager Finance
J. Borden, Manager Internal Audit
C. Spinney, Deloitte
S. Walsh, Deloitte

Secretary: P. Hickman

1264. CONSTITUTION OF THE MEETING

Notice for the meeting was sent on May 4, 2016. A quorum of members being present, the meeting was declared duly called and validly constituted for the transaction of business.

1265. WELCOME

The Chair welcomed the Board members to the Board of Directors of Nalcor Energy and thanked them for accepting the challenges and opportunities associated with membership on the Board.

1266. SAFETY MOMENT

Mr. Sturge provided a safety moment on the storage and use of gas cans.

1267. Q1 2016 FINANCIAL UPDATE

Mr. Sturge outlined the process implemented in 2014 with respect to quarterly Financial Statements. At that time it was decided that Nalcor would publicly disclose the Corporation's quarterly Statements, as well as those of its various subsidiaries. The Board of Directors of Nalcor approves Nalcor's quarterly Statements prior to their disclosure to the public. The process has also included the approval by the Nalcor Audit Committee of the quarterly Financial Statements of subsidiary companies.

Mr. Sturge reviewed the presentation provided to the Board members prior to the meeting entitled Q1 Earnings Update.

Mr. Sturge reviewed the Key Metrics as outlined in the Report, as well as the Profit by Business Segment. With respect to the profit for Hydro regulated, he stated that there are a number of items affecting this, including implementation of interim rates for 2016, and an increased use of the combustion turbine at Holyrood, which has resulted in higher fuel expense. At this time a recovery mechanism is not in place for the latter of these items, but a decision in this regard will be forthcoming from the Public Utilities Board.

Mr. Sturge reviewed the Financial Highlights outlined in the Report. He noted that Hydro is waiting on a number of decisions from the Public Utilities Board, including one related to the General Rate Application. When these have been received, there will be greater clarity and certainty with respect to the financial situation of NLH. He then reviewed the results relating to the hedging on electricity prices related to Energy Marketing and oil prices and related foreign exchange.

Mr. Sturge reviewed the graphs included in the Report relating to total assets and capital expenditures. With respect to the cost of the Lower Churchill Project,

Mr. Marshall stated that this is under review and he plans to provide the Board with information in this regard at its June Board meeting.

Mr. Sturge reviewed the graphs relating to Financing Activities and Capital Structure and then reviewed the 2016 Financial Outlook as outlined in the Report.

1268. AUDITOR'S Q1 2016 INTERIM REVIEW REPORT

Ms. Walsh reviewed the Report of the Auditors relating to their review of the Q1 2016 Financial Statements, a copy of which was provided to the Board members prior to the meeting.

Ms. Walsh explained that for the quarterly Statements, the external auditors carry out a review of the Statements, as opposed to an audit. They do however, audit the year-end Statements. Ms. Walsh reviewed the "at a glance" section of the Report. She noted that the interim level of materiality is \$4,750,000.00 for the Q1 period. She stated that Deloitte will be reviewing the level of materiality as part of its annual audit, as it is low given the value of the Corporation's assets. She stated that this will be included as part of the annual audit plan that will be presented to the Audit Committee of the Board at its September meeting.

Ms. Walsh inquired as to whether the Board or Management were aware of any subsequent events other than those disclosed in item number 26 to the interim Financial Statements. Those at the meeting stated that they were not aware of any such events.

Ms. Walsh noted the appendices attached to the report.

Ms. Russell provided information to the Board with respect to the Prudence review that was undertaken by the Public Utilities Board and the results of that review.

**1269. Q1 2016 FINANCIAL STATEMENTS AND
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

Mr. Sturge noted the Q1 Financial Statements and MD&A included in the meeting papers. There were no questions with respect to the documents.

1270. IN CAMERA

Members of the Board of Directors held separate in camera sessions with the external auditors only and with management representatives only (D. Sturge and C. Russell). Mr. Hickman left the meeting for these in camera sessions. It was agreed that while normally Mr. Marshall would not be present for in camera sessions, he should be in this case.

Messrs. Hickman and Sturge and Ms. Russell returned to the meeting.

1271. APPROVAL OF Q1 FINANCIAL STATEMENTS

On motion duly made by H. Jacobs, seconded by C. Loomis and unanimously carried, it was resolved:

THAT the Nalcor Energy Consolidated Financial Statements and Management Discussion and Analysis for the period ended March 31, 2016, as tabled and initialed by the Secretary for identification, be and they are hereby approved.

Given that there was no Audit Committee of the Nalcor Board in place at the time of the meeting, the Board was asked to consider the approval of the Q1 Statements of the subsidiaries.

On motion duly made by C. Loomis, seconded by D. Brewer and unanimously carried, it was resolved:

THAT the Financial Statements of the corporations listed below for the period ended March 31, 2016, as tabled and initialed by the Secretary for identification, be and they are hereby approved:

- LIL Holding Corporation
- LIL General Partner Corporation
- LIL Limited Partnership
- LIL Operating Corporation
- Muskrat Falls Corporation
- Labrador Transmission Corporation
- Lower Churchill Management Corporation
- Nalcor Energy Marketing Corporation
- Nalcor Energy – Oil and Gas Inc.
- Newfoundland and Labrador Hydro (Consolidated and Non-Consolidated)
- Nalcor Energy – Bull Arm Fabrication Inc.
- Twin Falls Power Corporation Limited

**1272. APPROVAL OF ANNUAL TRANSPARENCY
AND ACCOUNTABILITY PERFORMANCE REPORT**

Mr. Sturge noted the 2015 Annual Transparency and Accountability Performance Report, a copy of which was included in the meeting papers. He outlined the background and purpose of the Report to the Board members.

It was noted that there was nothing included in the Report relating to the Prudence Report recently issued by the Public Utilities Board. Mr. Sturge stated that the Report relates to 2015 and as the Prudence Report was issued in 2016, it is likely not appropriate to include a reference to it in the Report. However, he will check to see if it is appropriate to include such a reference in the Report. The Board agreed that the draft of the Report presented to them could be submitted to the Government for their review.

Ms. Sturge and Ms. Russell left the meeting at this time.

The meeting was adjourned at 11:30am and reconvened at 11:55am.

**1273. TERMINATION OF EMPLOYMENT OF THE FORMER
 CHIEF EXECUTIVE OFFICER**

Mr. Marshall provided a review of the recent events related to the termination of employment of Mr. Martin, former CEO of Nalcor Energy. He then distributed copies of a Letter from the Minister of Natural Resources to the Board of Directors with respect to matters relating to the cessation of Mr. Martin's employment.

Ms. Jacobs and Mr. Green left the meeting at this time.

The remaining Board members reviewed the letter from the Minister of Natural Resources and agreed on the content of a letter of response.

Ms. Jacobs and Mr. Green returned to the meeting at this time.

**1274. MEMBERSHIP OF BOARD COMMITTEES AND
 BOARDS OF SUBSIDIARY COMPANIES**

The Chair noted that it is his understanding that the present appointees to the Nalcor Energy Board of Directors and Hydro Board of Directors were appointed on an interim basis. Permanent appointments will be made to these Boards after the Government's independent appointments commission is in place.

Mr. Marshall noted that there are a number of Boards of Directors of subsidiary companies of Nalcor which now do not have a minimum number of directors in

place. It was agreed that Mr. Hickman would forward information to the Board members in this regard.

After discussion, it was agreed by the Board that no committees of the Board would be appointed at this time, but this issue will be revisited in the future as required.

1275. DATE OF NEXT MEETING

It was agreed that the next meeting of the Board of Directors would be held on Tuesday, June 14, 2016.

Mr. Hickman left the meeting at this time.

1276. IN CAMERA SESSION

The members of the Board of Directors held an in camera session.

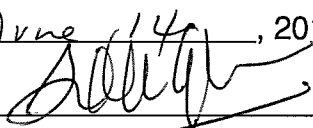
1277. TERMINATION

There being no further business, the meeting was terminated.



Secretary

Verified at a meeting held on

June 14, 2016


Chairperson