

**MINUTES OF THE NINETY-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 TUESDAY,
JUNE 14, 2016 AT 9:00 A.M.**

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

Present by Invitation: D. Sturge, Executive Vice-President
Finance and CFO
J. MacIsaac, Executive Vice-
President Power Supply
G. Bennett, Executive Vice-President
Power Development
J. Keating, Executive Vice-President
Corporate Services and Offshore
Development
M. Roberts, Vice-President, Human
Resources and Organizational
Effectiveness

Secretary: P. Hickman

1278. CONSTITUTION OF THE MEETING

Notice for the meeting was sent to all Directors on May 16, 2016. A quorum of Directors being present, the Chairperson declared the meeting duly called and validly constituted for the transaction of business.

1279. SAFETY MOMENT

Mr. Sturge provided a safety moment with respect to tire safety.

1280.

ADOPTION OF MINUTES

A copy of the minutes of the **Ninety-Second, Ninety-Third, Ninety-Fourth, Ninety-Fifth, Ninety-Sixth and Ninety-Seventh** meetings of the Board of Directors of Nalcor Energy held on February 26, March 11, March 14, March 18, March 23 and April 20, 2016, respectively, were included in the meeting papers circulated prior to the meeting. It was noted that none of the present members of the Board were present at those meetings and were not able to verify the accuracy of the minutes. It was agreed that the Board would adopt the minutes as opposed to verifying them.

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

THAT the minutes of the **NINETY-SECOND, NINETY-THIRD, NINETY-FOURTH, NINETY-FIFTH, NINETY-SIXTH, and NINETY-SEVENTH** meetings of the Board of Directors of Nalcor Energy held on February 26, 2016, March 7, 2016, March 14, 2016, March 18, 2016, March 23, 2016 and April 20, 2016 respectively, which minutes are currently before this meeting, be and they are hereby adopted as being correct; and

THAT the Chairperson be and is hereby authorized to adopt the minutes by signing the Minute Book.

1281.

VERIFICATION OF MINUTES

A copy of the minutes of the **Ninety-Eighth** meeting of the Board of Directors of Nalcor Energy held on May 12, 2016, was included in the meeting papers circulated prior to the meeting.

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

THAT the minutes of the **NINETY-EIGHTH** meeting of the Board of Directors of Nalcor Energy held on May 12, 2016, 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.

1282. ACTION LIST

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

With respect to the inclusion of a reference to the Prudence Report in the Transparency and Accountability Performance Report, Mr. Sturge informed the Board that a footnote had been included in the Transparency and Accountability Performance Report referencing the Prudence Report.

1283. MUSKRAT FALLS UPDATE

Mr. Bennett reviewed the presentation provided to the Board prior to the meeting relating to the Lower Churchill Project.

Mr. Bennett first of all reviewed the safety performance on the Project as outlined in the Report. He then reviewed the information included relating to the owner's team and the contract approach. As well, he reviewed the progress of the various components of the Project. The Report contained several pictures of various aspects of the Project and Mr. Bennett explained these to the Board. Finally, Mr. Bennett reviewed the project risks, their impacts and the mitigations that have been undertaken.

Mr. Bennett then reviewed the section of the Report relating to Astaldi, the main contractor for the construction of the Muskrat Falls Plant. He stated that this is the single largest risk to the Project. Astaldi faltered in its performance in 2014

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[REDACTED]

[REDACTED] Mr. Bennett

stated that Astaldi's financial situation is of concern. He explained that these challenges arose after the contract was awarded, but Nalcor has not contributed to Astaldi's financial problems.

Mr. Marshall stated that discussions are ongoing with Astaldi with respect to how to proceed going forward. He stated that negotiations are continuing and Nalcor is working with Astaldi to reach an agreement, [REDACTED]

[REDACTED]

[REDACTED]

Mr. Marshall then distributed a presentation to the Board members entitled "Muskrat Falls Project Update". He reviewed the presentation with the Board.

Mr. Marshall stated that he reviewed information included in Mr. Bennett's report and based on that information, has a projected cost for the three components of the Lower Churchill Project. He explained that a full review and rebasing of costs would take up to three months to complete. He reviewed the costs of the three components as outlined in his presentation. He projects the cost of Muskrat Falls Plant to be \$4.8 billion, the Labrador-Island Link to be \$3.4 billion and the Labrador Transmission Assets to be \$878 million. The total projected cost is \$9.1 billion. The projected schedule for completion of the components is first power for Muskrat Falls Generation being Q3, 2019, with full power being Q2, 2020. Labrador-Island Link and Labrador Transmission Assets are now

projected to be completed by Q2 2018. The projected cost of the Lower Churchill Project including financing costs is \$11.4 billion.

Mr. Marshall stated that the 2 year gap between the completion of the transmission lines and the completion of the Muskrat Falls Plant presents an opportunity to import power to the island from CF(L)Co, Emera and Hydro-Quebec, as a means to mitigate rate increases.

Mr. Marshall reviewed the contributing factors to the increased costs as he believes them to be. He stated that the task now is to finish strong and to mitigate the cost increases as much as possible. He stated that he will be recommending that net income from the sale of electricity produced at Muskrat Falls remain with Nalcor to be used to mitigate rate increases.

Mr. Marshall then reviewed a slide included in his report showing the load forecast over the coming years. He stated that the load forecast has changed since sanction and the load which was projected to occur in 2020 has now been delayed by 16 years. This is due to the economic downturn being experienced by the Province, as well as Vale taking less power than they had originally indicated.

Mr. Marshall reviewed the Muskrat Falls Unit Cost Projections outlined in the Report. He stated that in his opinion the project was too big for the Island's electricity needs, so it was a bet on what price the surplus could be sold for. The price for exports has declined, as opposed to increasing as was projected at the time of sanction. This reduction in export prices will in effect increase the cost of electricity to Newfoundland and Labrador customers. He projects the rate to be approximately 20 cents per kilowatt hour for domestic customers when Muskrat

Falls comes on line. This would be the highest rate in the country. He said the goal is to find ways over the next two to four years to reduce this rate.

1284. APPROVAL OF SHAREHOLDER'S RESOLUTIONS

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Nalcor Energy Marketing Corporation ("Nalcor Energy Marketing") with respect to the following:

1. Approval of 2015 Financial Statements;
2. Appointment of Deloitte as Auditors of Nalcor Energy Marketing; and
3. Election of the following persons to be Directors of Nalcor Energy Marketing to hold office until the next annual meeting or until their successors are duly elected or appointed:

John Green
Stan Marshall
Chris Loomis
Heather Jacobs
Dennis Clarke

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Nalcor Energy-Oil and Gas Inc. ("Oilco") with respect to the following:

1. Approval of 2015 Financial Statements;
2. Appointment of Deloitte as Auditors of Oilco; and
3. Election of the following persons as Directors of Oilco to

hold office until the next annual meeting or until their successors are duly elected or appointed:

John Green
Stan Marshall
Chris Loomis
Donna Brewer
Justin Ladha

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Nalcor Energy-Bull Arm Fabrication Inc. ("Bull Arm Inc.") with respect to the following:

1. Approval of 2015 Financial Statements;
2. Appointment of Deloitte as Auditors of Bull Arm Inc.; and
3. Election of the following persons to be Directors of Bull Arm Inc. to hold office until the next annual meeting or until their successors are duly elected or appointed:

John Green
Stan Marshall
Donna Brewer
Heather Jacobs
Chris Loomis

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Lower Churchill Management Corporation ("LCMC") with respect to the following:

1. Approval of 2015 Financial Statements;
2. Appointment of Deloitte as Auditors of LCMC; and
3. Election of the following persons to be Directors of LCMC to

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hold office until the next annual meeting or until their successors are duly elected or appointed:

Stan Marshall
Gilbert Bennett
Mike Roberts
Donna Stone
June Perry

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Labrador-Island Link General Partner Corporation ("LIL General Partner") with respect to the following:

1. Approval of 2015 Financial Statements;
2. Appointment of Deloitte as Auditors of LIL General Partner; and
3. Election of the following persons to be Directors of LIL General Partner to hold office until the next annual meeting or until their successors are duly elected or appointed:

John Green
Stan Marshall
Chris Loomis
Libby Burnham
Ron Ellsworth

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Labrador-Island Link Holding Corporation ("LIL Holding") with respect to the following:

1. Approval of 2015 Financial Statements;

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2. Appointment of Deloitte as Auditors of LIL Holding; and
3. Election of the following persons to be Directors of LIL Holding to hold office until the next annual meeting or until their successors are duly elected or appointed:

Chris Loomis
Donna Brewer
Heather Jacobs
Derrick Sturge
Sheila Kelly-Blackmore

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Labrador-Island Link Operating Corporation ("LIL Operating") with respect to the following:

1. Approval of 2015 Financial Statements;
2. Appointment of Deloitte as Auditors of LIL Operating; and
3. Election of the following persons to be Directors of LIL Operating to hold office until the next annual meeting or until their successors are duly elected or appointed:

John Green
Heather Jacobs
Chris Loomis
Desmond Whalen
Donna Brewer

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Labrador Transmission Corporation ("LTC") with respect to the following:

1. Approval of 2015 Financial Statements;

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2. Appointment of Deloitte as Auditors of LTC; and
3. Election of the following persons to be Directors of LTC to hold office until the next annual meeting or until their successors are duly elected or appointed:

Stan Marshall
Gilbert Bennett
Paul Humphries
Ann Marie Hann
Chris Woodford

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Muskrat Falls Corporation ("MFC") with respect to the following:

1. Approval of 2015 Financial Statements;
2. Appointment of Deloitte as Auditors of MFC; and
3. Election of the following persons to be Directors of MFC to hold office until the next annual meeting or until their successors are duly elected or appointed:

John Green
Stan Marshall
Heather Jacobs
John Quaicoe
Richard Daw

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

THAT Nalcor Energy is hereby authorized to execute written resolutions of the Shareholder of Gull Island Power Company Limited ("GIPCo") with respect to the following:

1. Approval of 2015 Financial Statements;
2. Appointment of Deloitte as Auditors of GIPCo; and

3. Election of the following persons to be Directors of GIPCo to hold office until the next annual meeting or until their successors are duly elected or appointed:

John Green
Stan Marshall
Derrick Sturge
Robert Henderson
Gilbert Bennett

1285. APPROVAL OF AUTHORITY LIMITS MATRIX

Mr. Sturge stated an approved Authority Limits Matrix has been in place for a number of years. The levels of approval were relatively low, such that a number of items required approval of the CEO. The proposal is a new Authority Limits Matrix which would increase the levels of authority for budgeted items. He stated that the levels being proposed are comparable to other like companies.

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

THAT the Authority Limits Matrix as presented to the Board of Directors at its meeting of June 14, 2016, be and it is hereby approved.

**1286. APPROVAL OF ANNUAL TRANSPARENCY
AND ACCOUNTABILITY PERFORMANCE REPORT**

It was noted that the 2015 Annual Transparency and Accountability Performance Report which had been reviewed by the Board in May and approved for submission to the Government for review, has been reviewed by Government and some minor wording and formatting changes were made as a result.

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

THAT the 2015 Annual Transparency and Accountability Performance Report dated June 2016, be and it is hereby approved.

1287.

REORGANIZATION UPDATE

Mr. Marshall reviewed with the Board a proposed reorganization of the Nalcor Leadership Team. He recommended the creation of five Executive VP level positions, one of which would be the President of NLH. He stated that this reorganization would address a number of issues, including reducing the number of direct reports to the CEO, splitting the responsibility of the Lower Churchill Project into two components (the transmission lines and the Muskrat Falls plant), separating the regulated from the non-regulated activities and creating a balance of responsibilities amongst the Executive VPs.

Mr. Marshall noted that in recognition of fiscal problems being experienced by the Government, there will be no change in compensation for the Executive VPs. However, in his opinion the Executives are not sufficiently compensated and this is an issue that will have to be dealt with over time. He stated that it can be addressed through the introduction of a long-term incentive plan.

With respect to the proposed position of the President of NLH, he has determined that there is no one internally ready to take on that responsibility at this time. He therefore approached Jim Haynes, former Vice-President of NLH, about returning to the Corporation for a period of time as President. He stated that Mr. Haynes is experienced and very well respected and will be a steadying force for NLH as it enters a transition period. Mr. Marshall stated that Mr. Haynes agreed to return to the Corporation for at least two years.

1288.

2016 COMPENSATION

Mr. Roberts noted the presentation that was included in the meeting papers relating to 2016 compensation. He stated that a few minor revisions had been

made to the presentation and he then distributed copies of the revised presentation.

Mr. Roberts reviewed the presentation relating to compensation. He reviewed the options considered by Management with respect to non-union compensation for 2016. It included (i) 2% adjustment and allowance for progression on the scale (merit) as of April 1, (ii) salary freeze for non-union in 2016, with allowance for progression on the scale effective April 1 and (iii) 2% adjustment effective October 1, 2016 with allowance for progression on the scales effective April 1st. Mr. Roberts stated that the recommendation of Management is that approval be given for the 2% economic adjustment for non-union employees effective October 1st, with progression through the scales effective April 1, 2016. He noted that the cost in 2016 of the 2% economic adjustment effective October 1, 2016 would be approximately \$300,000.

Mr. Roberts noted the Part A of the 2016 performance contracts which had been finalized and included for the information of the Board.

Mr. Roberts then reviewed the information included in his presentation relating to an executive compensation deferral program. He noted that a draft policy related to such a program was included in the meeting papers, along with a planned framework. He stated that the information with respect to the planned framework was included for the information of the Board members and is still under development. He requested the Board's approval of the policy that was included in the meeting papers. Mr. Marshall stated that it is standard for executives to have a base salary and a short-term incentive plan, as well as a long-term incentive plan. Presently the compensation of Executives of Nalcor consists of a base salary plus only a short-term incentive plan.

Mr. Roberts reviewed the next steps relating to 2016 salary administration, as outlined in his Report.

**1289. EXECUTIVE EMPLOYMENT CONTRACT
PRESIDENT AND CEO**

Mr. Roberts noted the draft Executive Employment Agreement between Nalcor Energy and Mr. Marshall, a copy of which was included in the meeting papers. Mr. Marshall explained the terms of the contract were as he agreed with the Government upon his appointment. Mr. Hickman noted that the draft Agreement has been forwarded to Government for its review. It was agreed that the Board would not consider approval of the Executive Employment Agreement until such time as the Government has completed its review.

Messrs. Sturge, MacIsaac, Bennett, Keating, Roberts and Hickman left the meeting at this time.

1290. IN CAMERA SESSION

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

Mr. Hickman returned to the meeting at this time.

1291. REORGANIZATION

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

THAT the Reorganization of the Executive Leadership Team presented to the Board of Directors at its meeting on June 14, 2016, be and it is hereby approved.

1292. APPOINTMENT OF OFFICERS

On motion duly made by C. Loomis, seconded by D. Brewer 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 the following persons are hereby appointed as officers of the Corporation effective June 14, 2016:

President.....Stan Marshall

Executive Vice-President, Finance
& Chief Financial OfficerDerrick Sturge

Executive Vice-President, Power Development.....Gilbert Bennett

Executive Vice-President, Power Supply John MacIsaac

Executive Vice-President, Corporate Services
and Offshore DevelopmentJim Keating

1293. 2016 COMPENSATION

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

THAT Management be and is hereby directed and authorized to proceed with a general economic adjustment of 2% to the salary scales for non-union employees other than executive, effective October 1, 2016;

AND BE IT FURTHER RESOLVED that non-union employees other than executive receive salary scale progression (merit) adjustments in accordance with the 2016 Salary Administration Matrix presented to the Board at its meeting of June 14, 2016, effective April 1, 2016.

It was agreed that the decision of the Board with respect to the 2016 compensation would be communicated to the Shareholder prior to its implementation.

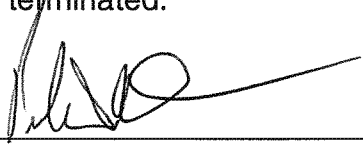
1294. EXECUTIVE DEFERRED COMPENSATION PROGRAM POLICY

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

THAT the Executive Deferred Compensation Program policy presented to the Board of Directors at its meeting of June 14, 2016, be and it is hereby approved.

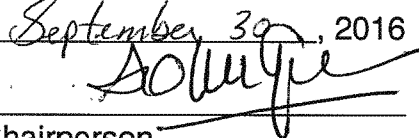
1295. TERMINATION

There being no further business, the meeting was terminated.



Secretary

Verified at a meeting held on

September 30, 2016


Chairperson