

MINUTES OF THE ONE HUNDRED AND FIRST 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, SEPTEMBER 30, 2016 AT 10:30 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
J. Borden, Manager Internal Audit**

Secretary:

P. Hickman

1307. CONSTITUTION OF THE MEETING

Notice for the meeting was sent to all Directors on September 13, 2016. A quorum of Directors being present, the Chairperson declared the meeting duly called and validly constituted for the transaction of business.

1308. SAFETY MOMENT

Mr. MacIsaac provided a safety moment on slips, trips and falls.

1309. VERIFICATION OF MINUTES

A copy of the minutes of the **Ninety-Ninth** and **One Hundredth** meetings of the Board of Directors of Nalcor Energy held on June 14, 2016 and August 9, 2016, respectively, were included in the meeting papers circulated prior to the meeting.

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

THAT the minutes of the **NINETY-NINTH** and **ONE HUNDREDTH** meetings of the Board of Directors of Nalcor Energy held on June 14, 2016 and August 9, 2016 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.

1310. ACTION LIST

The Board reviewed the Action List which was included in the meeting papers. With respect to the action item relating to the Auditors Master Service Agreement, Mr. Sturge reported that the Auditors had agreed to amend the wording of the termination clause such that the Agreement can not be terminated for convenience. The clause provides for termination upon 30 days notice if either party fails to fulfill its obligations under the Agreement.

1311. FINANCIAL REPORT

Mr. Sturge reviewed the Financial Report, a copy of which is included in the meeting papers.

Mr. Sturge stated that the year-to-date Net Income of \$57 million was below budget by \$18 million. He outlined the primary drivers for this decrease in net income. He then reviewed the primary factors impacting the annual forecast earnings, which were outlined in the Report. He then reviewed the key risks for the remainder of the year which were listed in the Report. With respect to the impairment issue relating to Oil and Gas, Gull Island and LCP assets, he stated that the Auditor General agreed that there should be no impairment. This issue will be discussed with the external auditors as part of the year-end audit.

Mr. Sturge informed the Board that the discussions with the Federal Government continue with respect to an enhanced Federal Loan Guarantee. Mr. Marshall provided an update on the situation relating to Astaldi. He stated that Nalcor continues to work with them and the situation is improving.

Mr. Sturge reviewed the remainder of the Report.

1312. COMPLIANCE CERTIFICATE

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

1313. PRE-APPROVAL OF NON-AUDIT FEES

Mr. Sturge reviewed the memo included in the meeting papers recommending pre-approval by the Board of retention of Deloitte for non-audit services. Mr. Sturge stated that in the past pre-approval for non-audit services by the external auditors has been obtained through the Audit Committee on case-by-case basis. However, the Auditor Independence Policy allows for pre-approval of up to a specific amount for non-audit services for specific services or categories of services. Management is recommending the approval of up to \$150 million for the period of the remainder of 2016 and all of 2017. This is based on that amount being approximately 20% of external audit fees for the various Nalcor Energy Corporation's, which is generally typical for Corporations.

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

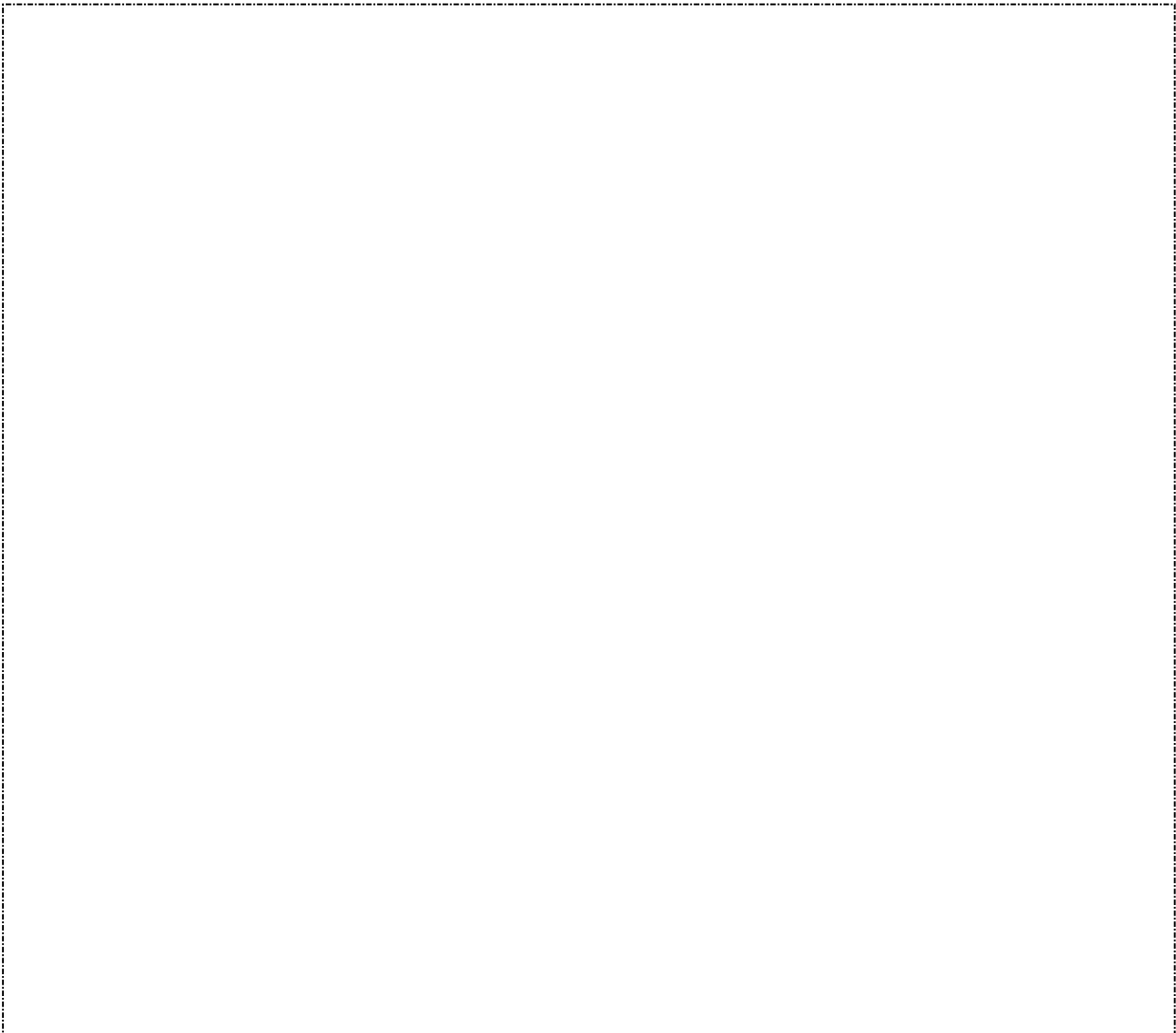
THAT the payment of up to a maximum total amount of \$150,000 to Deloitte in relation to non-audit services, to be administered by the Chief Financial Officer in accordance with the Nalcor Auditor Independence Policy and for the purposes described in the memo provided to the Board of Directors at its meeting of September 30, 2016, be and it is hereby approved for the period of September 30, 2016 to December 31, 2017.

1314. BANKING/CREDIT FACILITIES – PROPOSED CHANGES

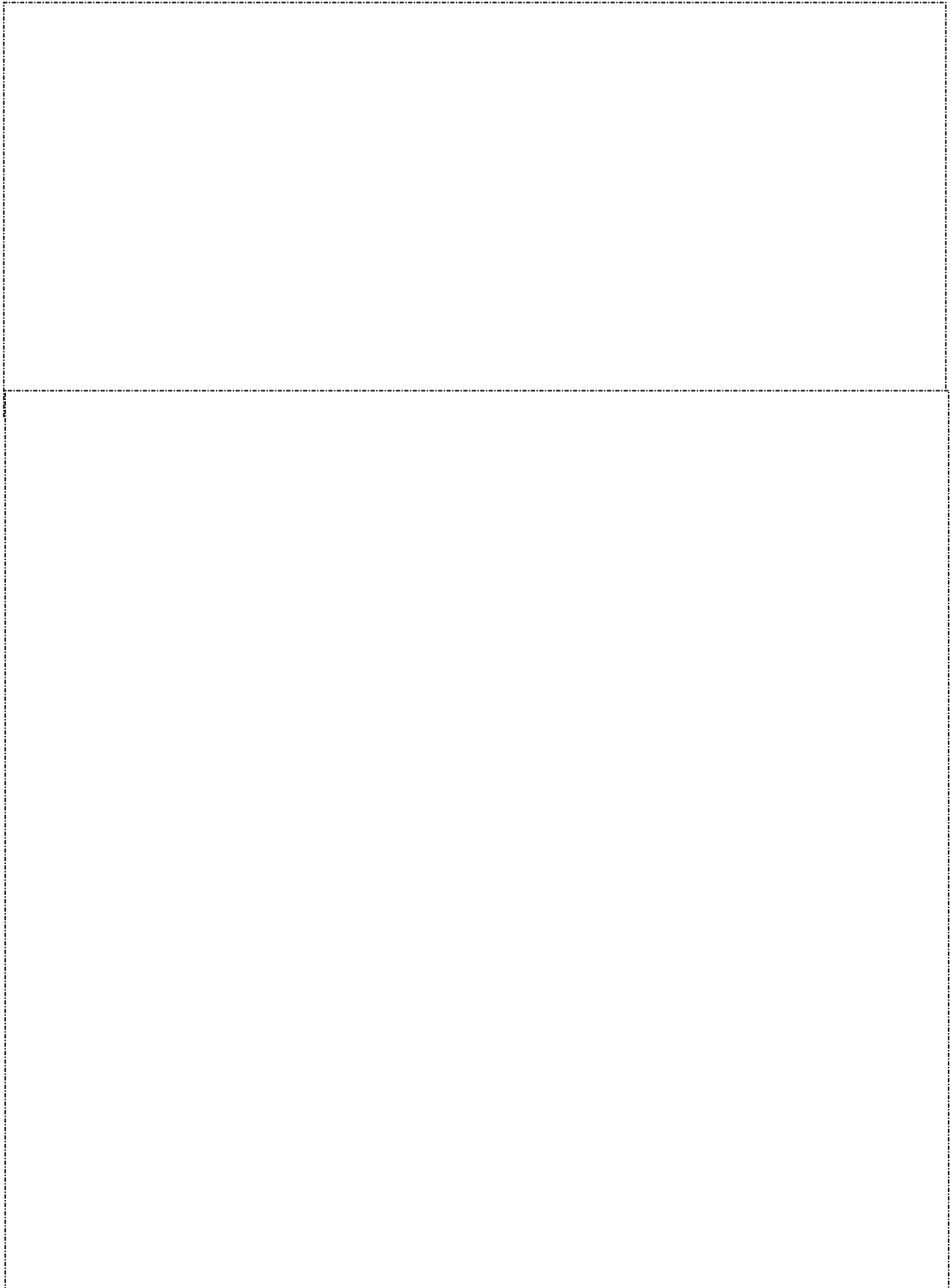
Mr. Sturge reviewed the presentation included in the meeting papers relating to the proposed changes with respect to Banking and Credit Facilities.

Mr. Sturge stated that the credit facility that Nalcor Energy has in place expires January 31, 2017. While it is rarely used, it is important that it be available for short-term liquidity purposes. He asked that the Board approve execution by Nalcor Energy of an Extension Agreement to ensure another year of liquidity.

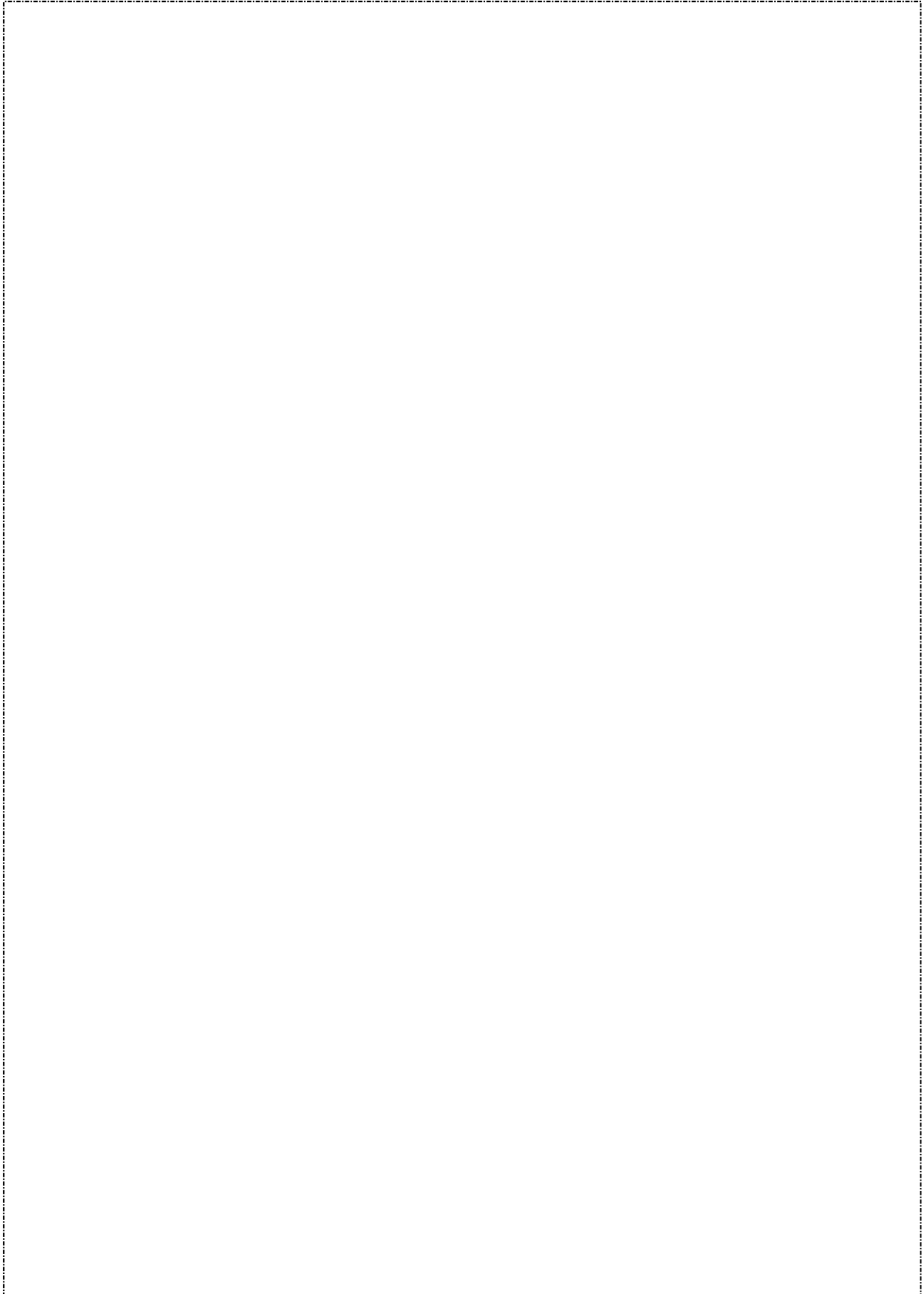
He noted the Banking Resolution included in the meeting papers for the approval of the Board. The resolution has been updated to reflect new positions.



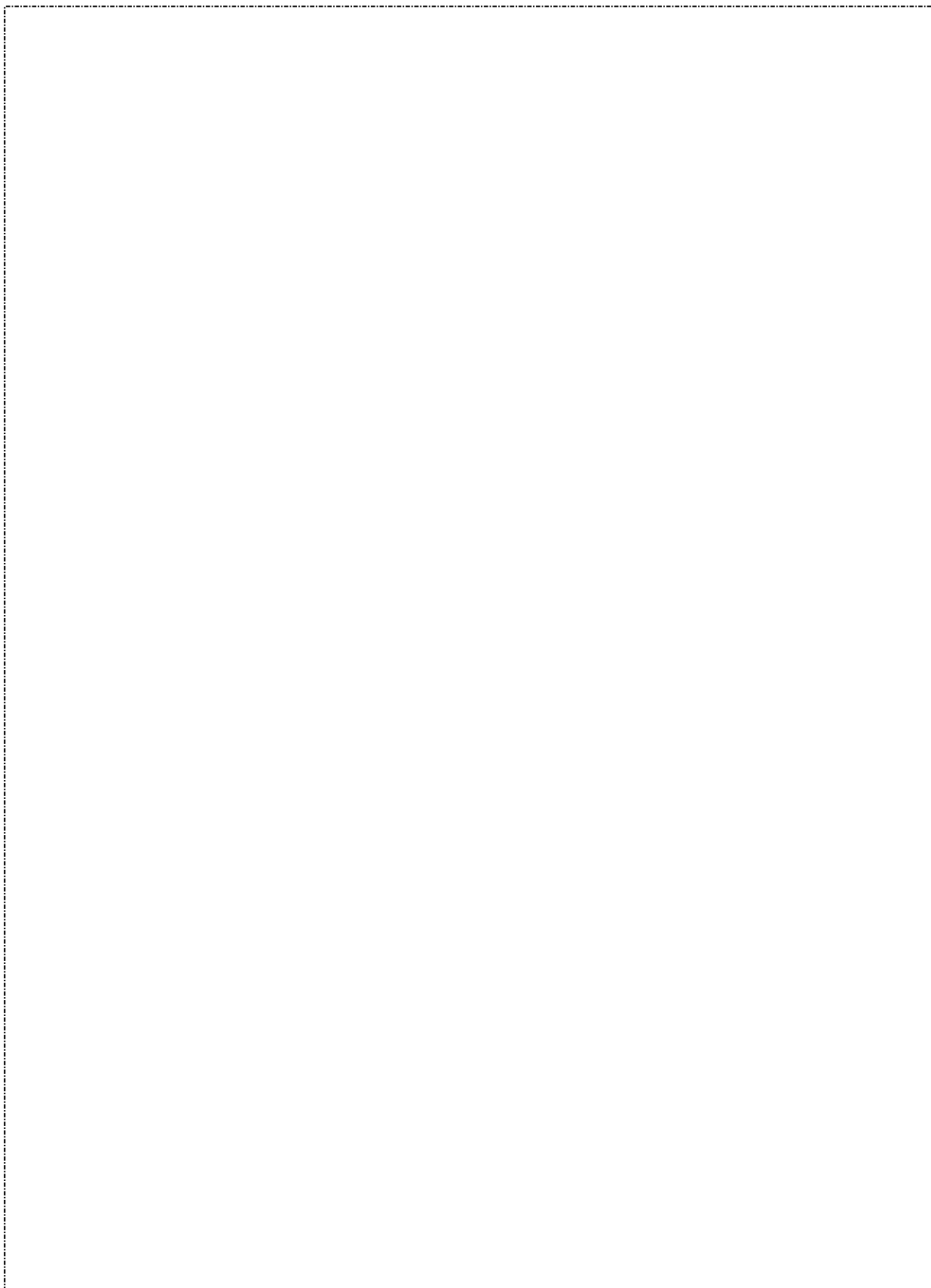
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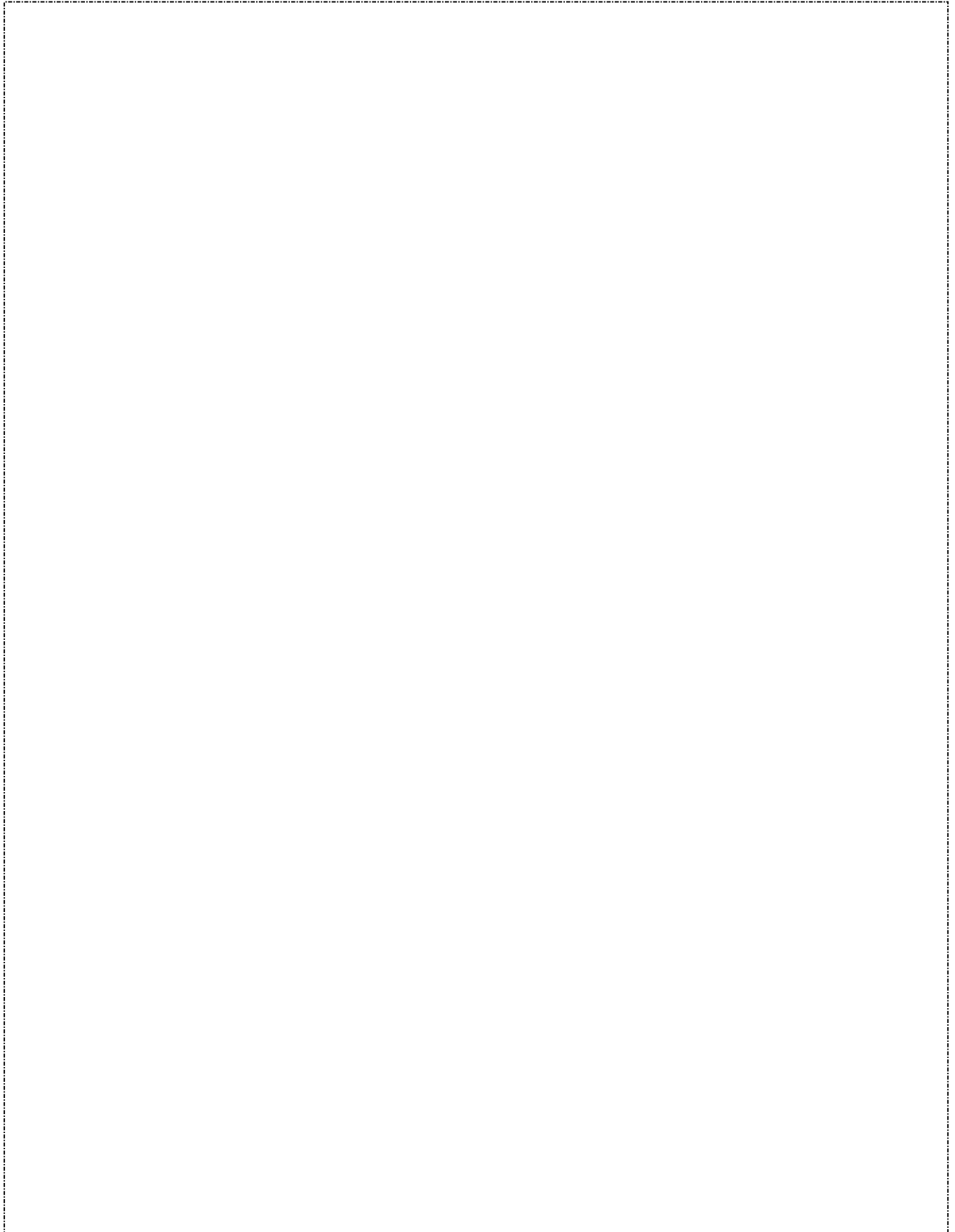
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**1315. EXECUTIVE UPDATES****1316. Corporate Services and Offshore Development**

Mr. Keating reviewed the Executive Update included in the meeting papers.

Mr. Keating referred to the item relating to the 2016 Safety Summit which was held on September 21st. He stated that this is an annual event in which employees representing all lines of business, all regions and all levels within the organization come together to focus on safety. He stated that it was another successful session.

In reviewing the Business Excellence section of his Report, Mr. Keating noted that options for monetarizing natural gas being recovered offshore are being explored.

Mr. Keating outlined to the Board efforts underway with respect to diversity and inclusion in the Corporation. He stated that the Corporation is working aggressively to become more diverse. Benchmarking work has been undertaken and the Corporation is targeting to have a Corporate population which represents the diversity of the Newfoundland and Labrador population. He stated that the intention is to set targets to be attained over a five year period.

1317. Power Development

Mr. Bennett reviewed his Executive Update included in the meeting papers.

Mr. Bennett reported that subsequent to drafting his Report, he attended a Town Hall meeting held by Astaldi with employees at which there was a focus on safety, in particular with respect to falling objects.

Mr. Bennett reported that while Astaldi's concrete placement performance under the Bridge Agreement has improved, it did not achieve the target for September with respect to one unit. They will not be paid for work they did carryout until they achieve that target. He stated that the tempo of the work has improved, volumes are up and workers have a more positive attitude. He stated that the river diversion and initial impoundment will take place this Fall for the protection of facilities from ice. He then reviewed a number of pictures that were included with the business unit report which was included for information purposes.

Mr. Bennett reported that the stabilization work on the North Spur will be completed in the Fall and will be on budget. The Board then discussed with Mr.

Bennett various issues that have received attention in the media in recent months.

1318. Newfoundland and Labrador Hydro

It was noted that the Board had received a briefing with respect to activities in Newfoundland and Labrador Hydro at the NLH meeting which preceded this meeting.

1319. Power Supply

Mr. MacIsaac reviewed the Executive update included in the papers relating to Power Supply.

Mr. MacIsaac reported that the Generation Impairment that was experienced in July/August at Churchill Falls had been fully restored. Scheduled deliveries in August were achieved so all revenues lost were recovered. He stated that overall CF(L)Co is ahead original budgeted plan with respect to energy deliveries to HQ year to date.

Mr. MacIsaac reported that 95% of the Strait of Belle-Isle cable is now substantially complete. It is coming in under budget and on schedule.

With respect to Transfer-To-Operations, Mr. MacIsaac stated that there is a rebasing of approach ongoing to ensure it is fit for purpose. There is a strategy rebase necessary for separation of in-service dates between the transmission and generation assets.

With respect to the performance of the contractor on the Labrador-Island Link, Mr. MacIsaac stated they are falling behind schedule and the final completion date is in jeopardy. Nalcor continues to work with the contractor to improve performance.

Mr. Marshall stated that a key focus for him has been the relationship that the Corporation has with aboriginals. He feels there is a need to make a long-term commitment. As part of achieving that commitment, an employee will be placed in Goose Bay on a full time basis to serve as a liaison between the Corporation and the aboriginals.

1320. GWAC AND WINTER READINESS

Mr. MacIsaac reviewed the presentation included in the meeting papers related to GWAC and Winter Readiness at Churchill Falls.

Mr. MacIsaac stated that it has become the practice to on an annual basis in the Fall provide an update to the Board on preparation with respect to Winter Readiness and GWAC for CF(L)Co. He stated that work is tracking to plan and the Corporation is in a good position heading into the GWAC season. He stated that the Corporation adopted NERC (North American Electric Reliability Corporation) guidance approximately four years ago and work continues to address the action plan put in place in this regard.

1321. LOAN FROM PROVINCE

Mr. Sturge stated that in order to obtain the short-term financing from the Government for Newfoundland and Labrador Hydro which was discussed at the NL Hydro Board meeting held earlier in the day, Government wishes to lend the money to Nalcor and then for Nalcor to in turn lend it to NL Hydro.

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

THAT the borrowing by Nalcor Energy of up to \$225 million on a short-term basis from the Government of Newfoundland and Labrador on terms outlined to the Board at its meeting of September 30, 2016, be and it is hereby approved.

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

THAT the lending by Nalcor Energy to Newfoundland and Labrador Hydro of up to \$225 million on a short-term basis on terms outlined to the Board at its meeting of September 30, 2016, be and it is hereby approved.

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

J. Borden joined the meeting at this time.

1322. INTERNAL AUDIT ANNUAL REPORT

Ms. Borden reviewed the Internal Audit Annual Report which was included in the meeting papers.

Ms. Borden first of all reviewed the section of the Report describing the Internal Audit Department and its structure. She stated that when NLH is separated out, it will have a separate Internal Audit Manager and one of the existing internal auditors will then be transferred from Nalcor to NLH. In response to an inquiry, Ms. Borden stated that the Department is properly staffed to cover all of its responsibilities. She stated that a great deal of work has been carried out to improve on this in recent years. She stated that at times having appropriate expertise in the information technology area can be challenging, but she continues to address this issue.

Ms. Borden then reviewed the required reporting portion of the Report. She reviewed the Internal Control Assessment slide which outlined the various audits being carried out and the results with respect to the identification or not of issues through those audits. She stated that no high risk items were identified in any of the audits.

Ms. Borden then reviewed the Quality Assurance and Improvement Program section of the Report. She confirmed to the Board the organizational independence of the internal audit activities and the internal audit employees. She also stated that there was no non-conformance with the Code of Ethics, Definition of Internal Auditing or professional standards.

Ms. Borden then reviewed the Appendices to her Report which provided a summary of audit issues and a summary of the Project Auditing Strategy for the Lower Churchill Project.


With respect to the 2017 Audit Plan, she stated that work is presently ongoing to develop that plan. It will be presented to the Board for approval at its meeting in November. She invited the Board to provide any input into the plan at any time.

1323. IN CAMERA SESSIONS

The Board of Directors held an in camera session with Ms. Borden only. They then held an in camera session of Board members only. Finally, they held an third in camera session involving all Board members except Mr. Marshall.

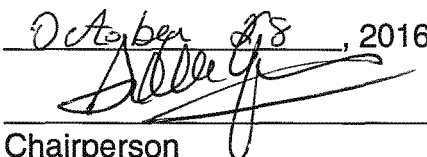
1324. TERMINATION

There being no further business, the meeting was terminated.



Secretary

Verified at a meeting held on


_____, 2016
Chairperson