

MINUTES OF THE ONE HUNDRED AND FIFTH 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, NOVEMBER 25, 2016 AT 11:00 A.M.

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

Absent: H. Jacobs, Member

Present by Invitation: D. Sturge, Executive Vice-President
Finance and CFO
J. Haynes, President NL Hydro
J. Keating, Executive Vice-President
Corporate Services & Offshore
Development
J. MacIsaac, Executive Vice-
President Power Supply
P. Harrington, Project Manager LCP
M. Roberts, Vice-President Human
Resources and Organizational
Effectiveness
J. Borden, Manager Internal Audit
M. Baker, Legal Counsel

Secretary: P. Hickman

1348. CONSTITUTION OF THE MEETING

Notice for the meeting was sent to all members of the Board on October 31, 2016. A quorum of Directors being present, the Chairperson declared the meeting duly called and validly constituted for the transaction of business.

1349. SAFETY MOMENT

Mr. MacIsaac provided a safety moment on preparing your vehicle for the winter.

1350. VERIFICATION OF MINUTES

A copy of the minutes of the **One Hundred and Second, One Hundred and Third and One Hundred and Fourth** meetings of the Board of Directors of Nalcor Energy held on October 23, 2016, October 28, 2016 and November 10, 2016, respectively, were included in the meeting papers circulated prior to the meeting.

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

THAT the minutes of the **ONE HUNDRED AND SECOND, ONE HUNDRED AND THIRD** and **ONE HUNDRED AND FOURTH** meetings of the Board of Directors of Nalcor Energy held on October 23, 2016, October 28, 2016 and November 10, 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.

1351. 2017 BUDGET

Mr. Sturge reviewed the presentation included in the meeting papers relating to the 2017 Budget. Mr. Sturge first of all outlined the process undertaken by Management relating to the preparation of the budget. He stated that the goal was to keep operating costs at or below 2016 levels. While this was achieved in most areas, there were some areas where it was not possible.

Mr. Sturge then reviewed the Segmented Earnings which were outlined in the presentation. With respect to the Hydro earnings, he noted that the budget is based on the Exploits assets being transferred as of January 1st to Hydro. He stated that it appears this likely will not happen by that date. As a result, a risk contingency has been included in the budget to address this possibility, so that if the transfer does not occur then it will not affect the budget. If the transfer does occur by January 1st it will result in a positive impact on Hydro's budget.

Mr. Sturge then reviewed the budgeted earnings for the other segments of Nalcor. He also noted the \$5 million risk contingency included relating to a number of unknowns, including the yet to be received Order from the PUB relating to the General Rate Application.

Mr. Sturge reviewed the graph outlining 2017 Budget Capital Expenditures for the various segments. Finally, he reviewed the slide included relating to the financing plan, more specifically the impact of an additional Federal Loan Guarantee on provincial equity requirements for Nalcor Energy. He stated that there is presently uncertainty associated with the Federal Loan Guarantee, so the equity requirements from the Province are unknown. He noted that it is anticipated that there will be no equity required from the Province with respect to Oilco's activities. He stated that the unknown in the Lower Churchill Project is the requirement from the Province related to the COREA payments. Discussions will be held with the Federal Government in the coming days to attempt to finalize the requirements with respect to these payments.

Mr. Marshall then circulated a table to the Board outlining the operating cost variance between Budget 2016 and Budget 2017. He stated that he and Mr. Sturge reviewed this table with the Minister of Natural Resources earlier in the day, so as to explain the \$20 million increase in budgeted operating costs for 2017. Mr. Sturge reviewed the table and explained the costs associated with the various operating activities listed. It was noted that some of the costs associated with the Power Supply reorganization were capitalized and a portion of those include personnel costs that will be captured in operating costs in 2018 or later. It was agreed that the full cost, including the capital cost associated with these activities should be included to provide a full picture of the costs associated with Power Supply reorganization, which includes Transfer to Operation costs.

Mr. Sturge reiterated that efforts were made to keep operating costs at the 2016 level, but the items outlined in the handout cannot be avoided. Consequently the

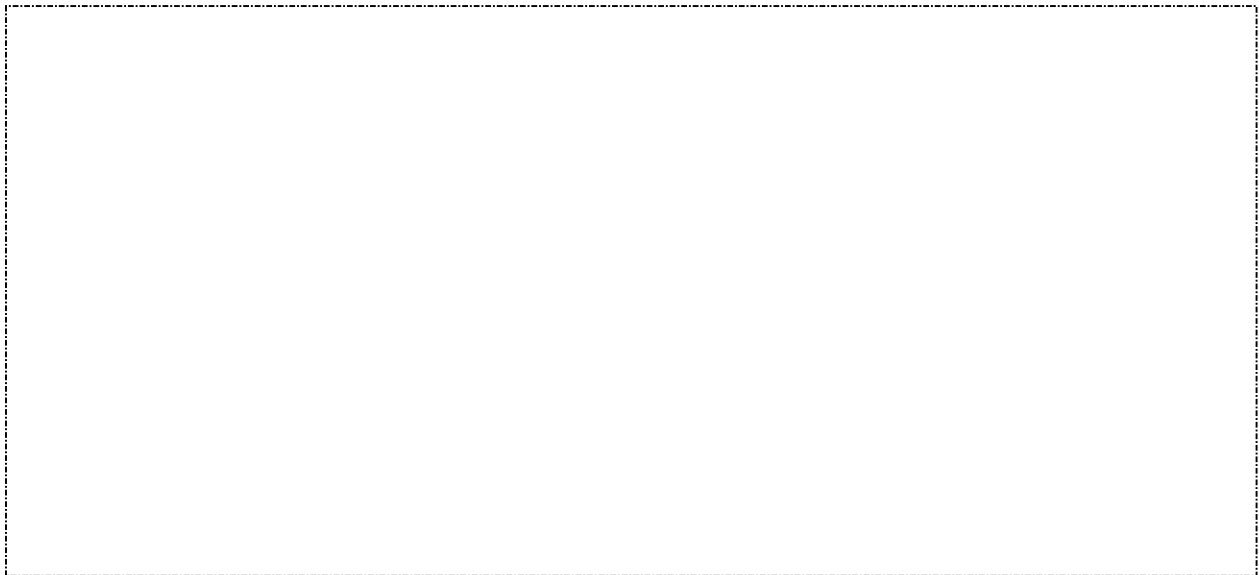
overall budget is \$20 million higher than the 2016 budget. In his opinion, any reduction in the budget would result in a negative impact on people and the work of the Corporation.

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

THAT the Nalcor Energy Consolidated Budget for 2017, as tabled and initialed by the Secretary for identification, be and it is hereby approved.

**1352. APPROVAL OF 2017 FINANCIAL RISK
MANAGEMENT STRATEGY**

Mr. Sturge reviewed the Financial Risk Management Strategy for 2017 for the Corporation outlined in the Memo included in the meeting papers.



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

THAT the 2017 Financial Risk Management Strategy, as tabled and initialed by the Secretary for identification, be and it is hereby approved.

1353. CORPORATE COMPLIANCE CERTIFICATE

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

1354. REMUNERATION OF AUDITORS

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

THAT the remuneration of the Company's auditors, Deloitte, for the examination and reporting on the accounts of the Corporation for the year ended December 31, 2016 be and it is hereby approved in an amount not to exceed [REDACTED] excluding taxes.

1355. EXECUTIVE UPDATES

1356. CEO Update

Mr. Marshall informed the Board of the status of the cofferdam at the Muskrat Falls site. He stated that work has commenced on remediating the problem experienced with the cofferdam and it will continue until such time as the cofferdam has been raised to 25 meters. He also informed the Board that it has been determined it is too late in the year to install the ice log boom to protect the facility. He stated that Mr. Harrington would provide further details on this later in the meeting.

With respect to discussions with Astaldi, Mr. Marshall stated that they were ongoing and continue to be very difficult negotiations. [REDACTED]

[REDACTED]

1357. Power Development

Mr. Harrington provided information to the Board with respect to work ongoing at Muskrat Falls site to protect the assets. He stated that as Mr. Marshall had noted, it is now too late in the year to construct the ice log boom upstream of the plant. The result is that there is a risk of debris flowing into the spillway gates and damaging the gates.

With respect to the cofferdam, the remediation is underway and could take three to six weeks to complete. He stated that the water levels in the reservoir cannot be raised until such time as the work is done. When it is completed, the reservoir will be raised, which will mitigate the risk of hanging ice forming but not completely eliminate it.

With respect to the spillway, as he previously noted, Mr. Harrington stated that there is a risk that the spillway gates will be damaged by debris. There is very little that can be done to mitigate this risk because ice can form in the river at any time now.

With respect to the risk of ice forming downstream of the cofferdam and causing flooding back into the power house, a decision has been made to construct a cofferdam down river from the power house. This will help to reduce, but not eliminate, the risk of flooding of the power house. Work on this is being carried out as fast as possible, but there is no timetable presently as to when this will be finished.

Mr. Marshall stated that it will be a number of months before the full cost related to doing this work, as well as that associated with the protest that had occurred recently, will be calculated. He stated that he has undertaken to provide an update to the public in June of next year in this regard.

1358. Power Supply

Mr. MacIsaac reviewed the Executive Update related to the Power Supply division which was included in the meeting papers. He stated that there had been no new safety incidents since the previous report. He also noted the improving trend with respect to safety on the LIL project.

Under Business Excellence, Mr. MacIsaac noted that in Churchill Falls the GWAC performance in November was to that point slightly better than budget. As well, construction of the Strait of Belle Isle transmission line is substantially completed, and productivity with respect to the rest of LIL has improved and is tracking with compliance to plan from the June 2016 AFE.

Mr. MacIsaac informed the Board that Greg Fleming has accepted the position of Project Director in the Power Supply division. As well, Mr. Kevin Burt has accepted the position under community engagement for the Goose Bay area. Further resources will be added in this area in the future.

Mr. MacIsaac then reviewed the presentation included in the meeting papers which provided an overview of the Power Supply division. He stated that the same approach that was used in the former Project Execution and Technical Services division of Nalcor to improve effectiveness of performance over the past number of years will be utilized in the Power Supply division. He stated that the same positive trends are ongoing in CF(L)Co and the idea is to build on these and utilize them for the full division.

1359. Newfoundland and Labrador Hydro

It was noted that the Board had received the Executive update with respect to Newfoundland and Labrador Hydro at the NL Hydro Board meeting which had been held previously in the day.

1360. Corporate Services and Offshore Development

Mr. Keating reviewed the Executive update from Corporate Services and Offshore Development, which was included in the meeting papers.



Mr. Keating reviewed activities relating to Energy Marketing and People. With respect to Community, he noted that recent research indicates a significant drop in Nalcor's reputation in the public. Significant efforts are required to rebuild corporate trust and reputation during what has become a very challenging period for the company.

1361. DIVERSITY AND INCLUSION FIVE YEAR TARGETS

Mr. Keating reviewed a presentation included in the meeting papers relating to the establishment of diversity and inclusion targets for the Corporation. He stated a great deal of work has been carried out with respect to establishing targets for gender diversity within the Corporation. Benchmarking was carried out, as well as a review of various local post-secondary schools to determine the gender diversity of the students. Using this information and the present gender diversity of the company, targets are being recommended to be set for

achievement by the Corporation by 2021. He reviewed these targets, which were outlined in the presentation.

Mr. Keating stated that with respect to the achievement of these targets, leadership commitment is essential. He reviewed the initiatives in this regard, which were outlined in the presentation. He also reviewed the diversity and inclusion strategies that would be employed to achieve the targets. He acknowledged that the targets being recommended are stretch targets and will not be easy to obtain. However, he stated that he believes this is necessary in order to push the Corporation to achieve a more appropriate gender diversity amongst its workforce. Mr. Keating then provided information to the Board about experiences of other Corporations which have set targets for gender diversity and how this has led to positive commercial and business results for those corporations.

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

THAT the targets to increase the representation of women in the Corporation's workforce, as presented to the Board of Directors at its meeting of November 25, 2016, be and they are hereby approved.

1362. DRAFT 2017 CORPORATE PLAN HIGHLIGHTS

The Draft 2017 Corporate Plan Highlights were included in the meeting papers. It was noted that, given that the budget has been approved for 2017, the finance numbers will now be included in the Plan. It was noted that a target relating to the Diversity and Inclusion Plan has been included in the Corporate Plan as well.

1363. CONFIRMATION OF OFFICERS

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

THAT the Officers of Nalcor Energy are as follows:

President & CEO..... Stan Marshall
Assistant Corporate SecretaryPeter Hickman
Executive Vice-President, Finance and CFO Derrick Sturge
Executive Vice-President, Power Development Gilbert Bennett
Executive Vice-President, Power Supply John MacIsaac
Executive Vice-President, Corporate Services &
Offshore Development..... Jim Keating
General Manager, FinanceCarla Russell
General Manager, Financial & Risk Management.....Auburn Warren
Vice-President, Strategic Planning &
Business Development.....Chris Kieley
Vice-President, Human Resources &
Organizational EffectivenessMike Roberts
Vice-President, Transition to Operations..... Rob Henderson

1364. TRANSFER OF SHARES IN CF(L)CO

The memo included in the meeting papers relating to the transfer of shares in CF(L)Co from Newfoundland and Labrador Hydro to Nalcor Energy was noted.

1365. 2017 MEETING SCHEDULE

The 2017 Meeting Schedule was included in the meeting papers for the information of the Directors.

1366. FIVE YEAR FINANCING PLAN FOR NL HYDRO

Mr. Sturge explained that at the September 30th meeting of the Board, the Directors were informed of Newfoundland and Labrador Hydro's financing requirements and the difficulty that it experienced in going to market for the financing. While Hydro could have completed the financing at an attractive rate,

the premium that the market was trying to obtain would likely have been a negative cost impact on future financings by the Province. It had been agreed after discussion with Government, that Nalcor would take down a short-term loan of \$225 million from the Province, for the purpose of in turn lending the money to Hydro to address an upcoming long-term debt maturity. Mr. Sturge stated that Management is continuing to address the financing needs of Hydro and various options are being considered. He stated that more time is needed for the analysis to be carried out and in order to avoid the need for a special meeting of the Board in the coming weeks as the plan comes together, Management recommends that the Board approve Nalcor continuing to borrow short-term from the Province and to in turn provide short-term financing to Hydro. The conditions of the borrowing would be as outlined in the memo distributed to the Directors prior to the meeting.

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

THAT the borrowing by Nalcor Energy of up to \$600 million on a short-term basis from the Government of Newfoundland and Labrador on terms outlined to the Board at its meeting on November 25, 2016, be and is hereby approved;

AND BE IT FURTHER RESOLVED

THAT the lending by Nalcor Energy to Newfoundland and Labrador Hydro of up to \$600 million on a short-term basis on terms outlined to the Board at its meeting of November 25, 2016, be and is hereby approved.

Messrs. MacIsaac, Haynes, Harrington, Roberts, and Keating left the meeting at this time.

Ms. Borden joined the meeting at this time.

1367. 2017 INTERNAL AUDIT PLAN

Ms. Borden reviewed the 2017 Internal Audit Plan, a copy of which was included in the meeting papers.

She first of all reviewed the Internal Audit 2017 Budget which was included in the presentation. She then reviewed the methodology used to compile the 2017 plan. It was noted that a review is carried out each year relating to executives' expenditures with respect to things such as corporate cards, vehicle costs and travel expenditures. It was agreed that every year executive compensation and expense expenditures would be tabled with the Board of Directors.

Ms. Borden then reviewed the plan for 2017 which outlined the various audits that are to be carried out. With respect to Oil and Gas, Ms. Borden outlined the process that the Corporation uses to audit the expenditures for the various projects in which Oilco is involved. She stated that she believes the Corporation is in a good position to verify the expenditures that have been made with respect to these projects. She noted that the Corporation is given full access to information when carrying out audits of these projects.

The Board agreed with the 2017 Internal Audit Plan as presented.

Mr. Sturge left the meeting at this time.

1368. IN CAMERA SESSION

Mr. Hickman and Ms. Baker left the meeting at this time.

The Board members, not including Mr. Marshall, held an in camera session with Ms. Borden.

1369. COMPENSATION

Ms. Borden then left the meeting and Mr. Marshall and Mr. Roberts returned to the meeting to discuss the Executive compensation information included in the meeting papers. Mr. Roberts left the meeting while the Board discussed the compensation issues further.

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

THAT the salary ranges for Executives, as presented to the Board of Directors at their meeting of November 25, 2016, be and they are hereby approved.

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

THAT the eligibility of Executives in the Long Term Incentive Plan, as presented to the Board of Directors at their meeting of November 25, 2016, including that cash awards shall be subject to CEO recommendation and Board of Directors approval, be and it is hereby approved.

1370. APPOINTMENT OF OFFICER

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

THAT Mr. Peter Hickman be he and is hereby appointed as General Counsel and Corporate Secretary.

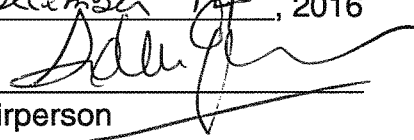
1371. TERMINATION

There being no further business, the meeting was terminated.

105th Nalcor Energy Board Meeting
November 25, 2016
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Secretary

Adopted
~~Verified~~ at a meeting held on
December 14, 2016


Chairperson