

**MINUTES OF THE ONE HUNDRED AND SIXTH MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON WEDNESDAY, DECEMBER 14, 2016 AT 8:30 A.M.**

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**Present in person:** B. Paddick, Chair  
J. Green, Member  
C. Hickman, Member  
J. Hillyard, Member  
M. MacLeod, Member  
S. Marshall, Member  
D. Molloy, Member  
D. Oake, Member  
E. Turpin, Member

**Present by phone:** A. M. Hann, Member  
B. Maynard, Member

**Present by Invitation:** G. Bennett, Executive Vice-President  
Power Development  
J. Haynes, President NL Hydro  
J. Keating, Executive Vice-President  
Corporate Services & Offshore  
Development  
J. MacIsaac, Executive Vice-  
President Power Supply  
D. Sturge, Executive Vice-President  
Finance and CFO  
J. Meaney, General Manager Finance,  
Lower Churchill Project  
L. Clarke, Commercial Services  
Manager, Lower Churchill Project

**Secretary:** P. Hickman

**1372. CONSTITUTION OF THE MEETING**

Notice for the meeting was sent to all members of the Board on December 1, 2016. A quorum of Directors being present, the Chairperson declared the meeting duly called and validly constituted for the transaction of business.

**1373. SAFETY MOMENT**

Mr. Hickman provided a safety moment on preventing slips and falls during the winter.

**1374. INTRODUCTION/WELCOME**

The Chair welcomed the new members of the Board to their first meeting. After those who were present introduced themselves, the Chair outlined his views as to the role of the Board. He stated that in his opinion a key role of the Board will be to help management change the public's perception of Nalcor Energy by focusing more on the many positives associated with the work of the Corporation.

**1375. DECLARED CONFLICTS OF INTEREST**

The Chair declared to the Board that he owns more than 10% of the shares of [redacted] companies with which there is a possibility of a conflict of interest with Nalcor or one of its subsidiary companies. These companies are [redacted]

The Chair stated that [redacted] has a contract in the valued at [redacted] with Emera on the construction of the Maritime Link. He noted also noted that in [redacted] corporate history, the company has only had one contract with a Nalcor affiliate. This contract with Newfoundland and Labrador Hydro had a value of [redacted], which represented less than 2% and 0.5%, respectively, of [redacted] annual revenue at the time. He noted that he disclosed his association with [redacted] to the Independent Appointments Commission of the Government of Newfoundland and Labrador when applying for a position on the Nalcor Board. His acquisition of an interest in [redacted] had not been finalized at the time of the IAC process, but he reported that [redacted] has never been contracted by Nalcor or any of its subsidiaries.

Furthermore, he stated that he discussed his involvement with all three of these companies with Bruce Hollett, CEO of the Public Service Commission, and Mr. Hollett agreed, as did the Premier and the Minister of Natural Resources, that his involvement with these companies is not a significant conflict. The Chair noted that obviously he would excuse and recuse himself from any discussion at the Board if either of these companies are involved or is in any way in conflict.

Mr. Green disclosed his association with the Law Firm McInnis Cooper, which carries out a significant amount of legal work on behalf of the Nalcor companies. He stated that when he joined the Board as Chair on an interim basis he resigned from the law firm. When he was asked to stay on the Board, he informed the Minister that he would be resuming his relationship with the law firm.

Mr. Maynard declared that he works with an oil and gas company which is international in scope, and at some point in the future could become involved in the oil and gas industry in Newfoundland and Labrador. The name of the company is Marathon Oil.

**1376. ADOPTION OF MINUTES**

A copy of the minutes of the **One Hundred and Fifth** meeting of the Board of Directors of Nalcor Energy held on November 25, 2016, was included in the meeting papers circulated prior to the meeting. As a vast majority of the present members of the Board of Directors were not at that meeting as they were not members of the Board at that time, it was agreed that the Board would consider adopting the minutes as opposed to verifying them.

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

**THAT** the minutes of the **ONE HUNDRED AND FIFTH** meeting of the Board of Directors of Nalcor Energy held on November 25, 2016, 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.

**1377. BUSINESS ARISING**

**1378. 2017 Budget**

Mr. Marshall stated that the 2017 Operating Budget for Nalcor represents a \$20 million increase over the 2016 Budget. After the Board of Directors approved the 2017 Budget, the Minister informed him that she would like the Budget to be reduced. Mr. Marshall stated that Management is in the process of reviewing the budget to see if there are areas where reductions can be made.

**1379. EXECUTIVE OVERVIEW**

**1380. Chief Executive Officer**

Mr. Marshall informed the Board that since his arrival at the Corporation as CEO there have been a number of changes that have taken place. Included in that is a change in the organization of the Corporation. He referred the Board members to the Org Chart included in the meeting papers. He also talked about the relationship between the Corporation and the Government.

Mr. Marshall reviewed the structural changes to the company, which include making the regulated business of NLH more autonomous from the rest of the Corporation, as well as separating components of the Lower Churchill Project and including them in newly created Power Supply and Power Development Divisions.

Mr. Marshall then reviewed the presentation included in the meeting papers entitled Muskrat Falls Project Update. In reviewing the section relating to the

Maritime Link, Mr. Marshall noted that the export of energy from Muskrat Falls would involve changes to the regulatory system in the Province. Work related to those changes has been suspended for the time being. In the alternative, discussions have been held with Emera about them buying more firm energy thus maximizing the amount of energy sold to them. If all of the surplus Muskrat Falls energy is subject to such an arrangement, it will not be necessary to change the regulatory system in the Province.

Mr. Marshall outlined the overall project cost increase, including the contributing factors and the projections for these costs. He stated that projections will change as a result of the Federal Government recently agreeing to extend the Loan Guarantee. Mr. Marshall then reviewed the slides included in the presentation relating to domestic sales and domestic rate projections.

**1381. General Counsel and Corporate Secretary**

Mr. Hickman reviewed the presentation included in the meeting papers relating to the Legal and Corporate Secretary overview. He reviewed the structure of the Legal/Corporate Secretary Department and the slides included summarizing the more significant provisions of the Energy Corporation Act, as well as the Access to Information and Protection of Privacy Act. He then reviewed the section of the presentation relating to the roles and duties of Directors.

**1382. Executive Vice-President Power Development**

Mr. Bennett reviewed the presentation included in the meeting papers relating to Muskrat Falls Generation.

The Board discussed the costs of the Muskrat Falls Project, future costs, risks, etc. Mr. Marshall stated that he has publicly stated that he will provide a cost update relating to the Lower Churchill Project in June of 2017.

Mr. Bennett reviewed the section of the Report relating to the North Spur. Mr. Marshall stated that he has reviewed the work done on North Spur and in his opinion the right things were done. The work was designed and checked by experts, has been reviewed by Management and is solid. He stated that in his opinion all reasonable measures have been taken with respect to stabilizing the North Spur.

Messrs. Marshall and Bennett reviewed the section of the Report relating to Methyl Mercury. Mr. Bennett then outlined the section of the Report on aboriginal affairs.

**1383. Executive Vice-President Power Supply**

Mr. MacIsaac reviewed the presentation included in the meeting papers relating to the Power Supply Division. He noted that some of the information included in his report had been covered through the presentation provided by Mr. Bennett. He did review the risk focus areas which were outlined in the Report.

Mr. MacIsaac reviewed the section in the Report which provided an overview of the Power Supply Division, including the organizational structure for the division, both the transition structure as well as the desired end state. He then reviewed the component piece reporting segments included within the Power Supply division.

**1384. Executive Vice-President Corporate Services and Offshore Development**

Mr. Keating reviewed the presentation included in the meeting papers relating to the Corporate Services and Offshore Development Division. He reviewed the various services and business units included within the Division and reviewed the summary of each included in the presentation.

Mr. Keating then reviewed information relating to the various joint venture projects in which Nalcor Energy is involved through Nalcor Energy-Oil and Gas Inc. He also reviewed information in the Report relating to seismic work being carried out by the Corporation.

**1385. Newfoundland and Labrador Hydro**

Mr. Haynes reviewed the presentation included in the Report relating to Newfoundland and Labrador Hydro. He reviewed the overview of the Corporation, including the customers of Hydro and the various Generating Stations of the Corporation. He also reviewed the senior leadership organization chart of the organization and the work that is being carried out for winter readiness. Finally, Mr. Haynes discussed the information included relating to key regulatory filings.

**1386. Executive Vice-President Finance and CFO**

Mr. Sturge reviewed the presentation included in the meeting papers relating to Finance, Information Technology and Internal Audit.

Mr. Sturge reviewed the Senior Leadership Organization Chart included in the Report for Finance, Information Technology and Internal Audit and the key focus areas of the Division. He reviewed the summary of the balance sheet for the Corporation, as well as the debt maturity for the various entities within the Nalcor group. Mr. Sturge also reviewed the Q3 2016 Results Summary and information included relating to the LCP Financing/Federal Loan Guarantee Update.

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

Jim Meaney and Lance Clarke joined the meeting at this time.

**1387. AGREEMENT WITH ASTALDI**

Included in the meeting papers circulated prior to the meeting was a presentation providing an overview on the Agreement that Muskrat Falls Corporation had reached with Astaldi Inc. Prior to Mr. Bennett reviewing that presentation, Mr. Marshall outlined to the Board members the background on the discussions that are presently ongoing with Astaldi with respect to the completion of the work under its contract to construct the spillway, intake, powerhouse and dam at the Muskrat Falls site. He stated that an Interim Agreement has been put in place with Astaldi to cover the period up to the present time. That Agreement is being used as a basis for a Completion Agreement to bring the parties to the end of the contract. He outlined the approach taken during these discussions and the goals that were to be achieved.

Mr. Bennett, with the assistance of Mr. Clarke and Mr. Meaney then reviewed the presentation included in the meeting papers. They provided information on the contract itself, the awarding of the contract, performance of Astaldi to date, the status of the work and the summary of the structural work carried out to date.

The Board discussed the proposed deal with Astaldi as outlined in the presentation. They considered the principles of the deal with Astaldi, the other options considered and the risks and opportunities associated with the deal.

Mr. Marshall recommended that the Board approve the Agreement with Astaldi for the reasons outlined in the presentation and those discussed at the meeting. Some of the Board members expressed concern as to Astaldi's ability and desire to complete the Contract, but agreed that their continued engagement was the best option. While management advised that appropriate monitoring of the contract was in place, the directors stressed that it is critical that Nalcor monitor, utilizing the appropriate expertise, work progress on a daily basis in order to identify issues of nonperformance early, enabling prompt corrective actions.



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

**THAT** the Corporation be and is hereby authorized to implement a revised Contract with Astaldi which increases the budget associated with the Contract by \$270 million, on the basic terms and conditions outlined at the Board meeting on December 14, 2016, including that a release be obtained from Astaldi with respect to all past claims and that the security instruments remain in place.

Messrs. Meaney and Clarke left the meeting at this time.

**1388. APPOINTMENT OF SUBSIDIARY BOARDS, DIRECTORS AND  
NALCOR BOARD COMMITTEES**

A list of proposed memberships of the Committees of the Nalcor Board of Directors was circulated. The Chair reviewed the rationale for the suggested composition of the Committees, specifically the Chairs. It was agreed that Ms. Hann would be added to the membership of the Safety, Health, Environment and Community Committee. Other than that change, the Board members were in agreement with the Committees as submitted.

On motion duly made by B. Paddick, seconded by D. Oake and unanimously carried, it was resolved:

**THAT** the following Directors be appointed as members of the following Nalcor Energy Committees:

**Audit Committee**

- David Oake, Chair
- Chris Hickman
- Jack Hillyard
- Brian Maynard

**Governance Committee:**

- John Green, Chair
- Ann Marie Hann
- Mark MacLeod
- Debbie Molloy

**Compensation Committee:**

- Mark MacLeod, Chair
- Jack Hillyard
- Brian Maynard
- David Oake

**Safety, Health, Environment and Community Committee:**

- Chris Hickman, Chair
- Debbie Molloy
- Edna Turpin
- Ann Marie Hann

A list of proposed Boards of Directors for the various subsidiary Corporations was then distributed to the Board members. The Board reviewed and then discussed this list. The membership of the Newfoundland and Labrador Hydro Board of Directors was discussed. Mr. Marshall stated that Government has the legislative authority to appoint the members to that Board, but he would be suggesting to them that the Board consist of both independent directors and members of the Nalcor Board of Directors along with Mr. Haynes, as President of NLH. It was agreed that the Chair and Mr. Green, as Chair of the Governance Committee, would discuss this with Government.

The Chair stated that the Governance Committee will be asked to review the membership of all the subsidiary boards, including the various vacancies on them and will make a recommendation to the Nalcor Board as to the final composition of these various Boards.

On motion duly made by E. Turpin, seconded by C. Hickman and unanimously carried, it was resolved:

**THAT** Nalcor Energy is hereby authorized to execute written Shareholder Resolutions for the following corporations with respect to the election of the following persons to be Directors of such corporations to hold office until the next annual meeting or until their successors are duly elected or appointed:

**Nalcor Energy-Bull Arm Fabrication Inc.**

- Edna Turpin
- Mark MacLeod
- Stan Marshall
- Debbie Molloy
- David Oake

**Nalcor Energy-Oil and Gas Inc.**

- Brendan Paddick
- Justin Ladha
- Mark MacLeod
  
- Stan Marshall
- Brian Maynard

**Nalcor Energy Marketing Corporation**

- Brian Maynard
- Dennis Clarke
- John Green
- Stan Marshall
- Debbie Molloy

**Lower Churchill Management Corporation**

- John MacIsaac
- Gilbert Bennett
- Stan Marshall
- June Perry
- Mike Roberts
- Donna Stone

**Labrador-Island Link General Partner Corporation**

- John Green
- Libby Burnham
- Ron Ellsworth
- Stan Marshall
- Edna Turpin

**Labrador-Island Link Holding Corporation**

- Jack Hillyard
- Sheila Kelly-Blackmore
- John MacIsaac
- Ann Marie Hann
- Derrick Sturge

**Labrador-Island Link Operating Corporation**

- Brendan Paddick
- Ann Marie Hann
- Chris Hickman
- Chris Loomis
- David Oake
- Desmond Whalen

**Labrador Transmission Corporation**

- Ann Marie Hann
- John MacIsaac
- Stan Marshall
- Derrick Sturge
- Chris Woodford

**Muskrat Falls Corporation**

- Chris Hickman
- Richard Daw
- Jack Hillyard
- Stan Marshall
- John Quaicoe

**1389.**

**IN CAMERA SESSION**

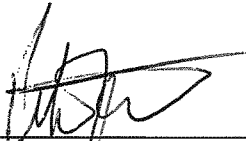
The Board of Directors held an in camera session including all members of the Board. A second in camera session was then held without the presence of Mr. Marshall.

**1390.**


**TERMINATION**

There being no further business, the meeting was terminated.

106th Nalcor Energy Board Meeting  
December 14, 2016  
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Secretary

Verified at a meeting held on

March 6, 2017  
  
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Chairperson