

MINUTES OF THE ONE HUNDRED AND ELEVENTH MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, LEVEL 6, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON TUESDAY, AUGUST 8, 2017 AT NOON

Present in person: B. Paddick, Chair
C. Hickman, Member
S. Marshall, Member
D. Oake, Member
E. Turpin, Member
B. Maynard, Member
D. Molloy, Member

Present by phone: J. Green, Member
A. M. Hann, Member

Absent: M. MacLeod, Member
J. Hillyard, Member

Present by Invitation: G. Bennett, Exec. VP Power Development
J. Haynes, President, NL Hydro
J. Keating, Executive VP Corp. Services & Offshore Development
J. MacIsaac, Exec. VP Power Supply (by phone)
D. Sturge, Executive VP Finance and CFO

Secretary: P. Hickman

1459. CONSTITUTION OF THE MEETING

Notice for the meeting was sent to all members of the Board on July 24, 2017. A quorum of Directors being present, the Chairperson declared the meeting duly called and validly constituted for the transaction of business.

1460. SAFETY MOMENT

Mr. Haynes provided a safety moment relating to hearing loss.

1461. VERIFICATION OF MINUTES

A copy of the minutes of the **ONE HUNDRED** and **TENTH** meeting of the Board of Directors held on June 21, 2017, was included in the meeting papers circulated prior to the meeting.

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

THAT the minutes of the **ONE HUNDRED AND TENTH** meeting of the Board of Directors of Nalcor Energy held June 21, 2017, which minutes are currently before this meeting, be and they are hereby verified as being correct; and

THAT the Chairperson of the Board be and is hereby authorized to verify the minutes by signing the Minute Book.

1462. BUSINESS ARISING**1463. Transport of Transformers to Muskrat Falls Site**

Mr. MacIsaac provided an update to the Board on the progress being made with respect to the transport of the transformers from the Island to the Muskrat Falls site through the Community of Cartwright on the Labrador coast. He stated that four of the seven transformers are at the site with two in their final position. The other three transformers are on a barge at Bay Bulls ready to commence the voyage to Cartwright when weather permits. He stated that there had been no safety incidents nor incidents involving protestors. Mr. MacIsaac stated that there has been close cooperation between all parties with respect to the RCMP's involvement in the movement of the transformers.

1464. Reservoir Level

Mr. Bennett provided an update with respect to the level of the reservoir associated with the Muskrat Falls site. He noted the correspondence that had been distributed to the Board members involving the SNC-Lavalin technical advisor with respect to this matter. He stated that SNC-Lavalin's advice was to

stop reducing the reservoir level to guard against further erosion which has been noted upstream of the plant, as this could result in landslides. A conference call was held involving SNC-Lavalin officials, Nalcor, Government and representatives of the three Aboriginal groups in Labrador. The Nunatsiavut Government was not in agreement with the position that there should be no further reductions in the reservoir level and they have taken the information away for further consideration.

Mr. Marshall provided further information on the status of this matter. He noted that one Methylmercury Report has been prepared since the raising of the reservoir levels and it shows there to be no increase in the level of methylmercury. This Report was prepared by Nalcor's Contractor, with appropriate review by other technical advisors.

It was noted there is nothing in the SNC-Lavalin correspondence relating to the reservoir levels questioning the stability of the North Spur. Mr. Marshall stated that SNC-Lavalin has absolute confidence in the integrity of the North Spur.

The Board discussed the timing of them becoming aware of correspondence and meetings involving SNC-Lavalin. Mr. Marshall stated that the matter was operational in nature and was being dealt with, but quickly became an issue that was raised to higher levels of Government. He stated that there are a number of organizations and bodies to be kept informed of various activities related to the Project and sometimes the timing of the distribution of information is more rapid than anticipated. It was agreed that on a go forward basis when information is provided to the upper levels of Government, the Board of Directors will be informed as well, as quickly as possible.

Mr. Bennett then reported that Nalcor had a review carried out relating to the cause of the flooding of Mud Lake earlier in the spring of this year and a Report

has been issued stating that Nalcor did not cause the flooding. Government has been made aware of the Report and its results.

Mr. Marshall stated that generally speaking progress has been made with respect to relationships with the Aboriginal groups. He stated that Mr. Keating has been working hard in this regard and has been well received by the various groups. He stated further that the operational aspects of the Project are being handled by Nalcor and at this point things are progressing well, including the movement of the transformers, the work of Valard and also the work of Astaldi.

1465. Fatalities on TL 267

Hydro, along with Nalcor and Emera, were directed by Service NL to review all transmission towers on their new transmission lines to ensure they are properly secured. No problems were found and the independent engineers who separately carried out the reviews for Hydro and Nalcor (LCP) have provided reports, each of which has been submitted to Service NL by Hydro and the Lower Churchill Project respectively. A response from Service NL has not yet been received, but it is anticipated that it will be received within the next few weeks. Some work has restarted, but until a release is received from Service NL allowing full work to resume, the work scope will be limited.

1466. FINANCIAL UPDATE

Mr. Sturge stated that as illustrated in the update, financial results for Q2 are very positive. He stated that the four key factors related to the continued strong oil

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production, the settlement of all contractual issues relating to Bull Arm, the receipt of almost all final decisions with respect to the 2013 GRA, which has had a positive impact on NLH, and the completion of the \$2.9 billion LCP refinancing.

Mr. Sturge reviewed the key metrics outlined in the Report. He noted the increase in profits in the reporting period over the same time period in 2016. As well, he noted that capital expenditures for Q2 were in the amount of \$1.3 billion. He stated that electricity sales export revenues are up slightly over last year due to an increase in prices. Oil prices are about 7 to 8% higher in 2017 over the same period in 2016. As well, the oil production levels have doubled since last year. He then reviewed the information included in the update relating to capital structure.

Mr. Sturge stated that overall things have gone well financially in the first half of the year with a number of key risks identified at the beginning of the year being addressed. He stated there continues to be risk on prices relating to oil and electricity, both of which have decreased slightly recently. As well, foreign exchange poses a risk. He noted however, that operational expenses in the first half have been within budget.

Mr. Oake, Chair of the Board's Audit Committee, reported on the meeting of the Audit Committee which was held immediately prior to the Board meeting. He stated that the Committee discussed the significant increase in profit for Nalcor in the first half. It identified the fact that this maybe an issue for NLH as it is seeking a rate increase at the same time as Nalcor is experiencing increased profit. The Committee suggested that consideration be given to some communications being issued in this regard.

Mr. Oake stated that the Committee also discussed leveraging the Corporation's capital assets as a way to mitigate NLH's rates. He stated they were told that this is not possible as the assets are leveraged to the full extent that they can be.

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Mr. Oake stated that a presentation included in the meeting papers relating to upcoming accounting issues was reviewed by the Committee. The Committee then held an in camera session with the external auditors.

Mr. Oake reported that the Audit Committee passed a resolution recommending the approval of the Q2 Financial Statements and associated MD&A. They also passed a resolution approving the Q2 Financial Statements for various subsidiary Corporations.

**1467. APPROVAL OF NALCOR ENERGY
Q2 2017 FINANCIAL STATEMENTS AND MANAGEMENT
DISCUSSION AND ANALYSIS**

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

THAT the Nalcor Energy Consolidated Financial Statements and Management Discussion and Analysis for the period ended June 30, 2017, as tabled and initialed by the Secretary for identification, be and they are hereby approved.

THAT S. Marshall and B. Paddick, or any two Directors, be and they are hereby authorized to sign said Financial Statements on behalf of the Board.

1468. ERNST AND YOUNG REPORT

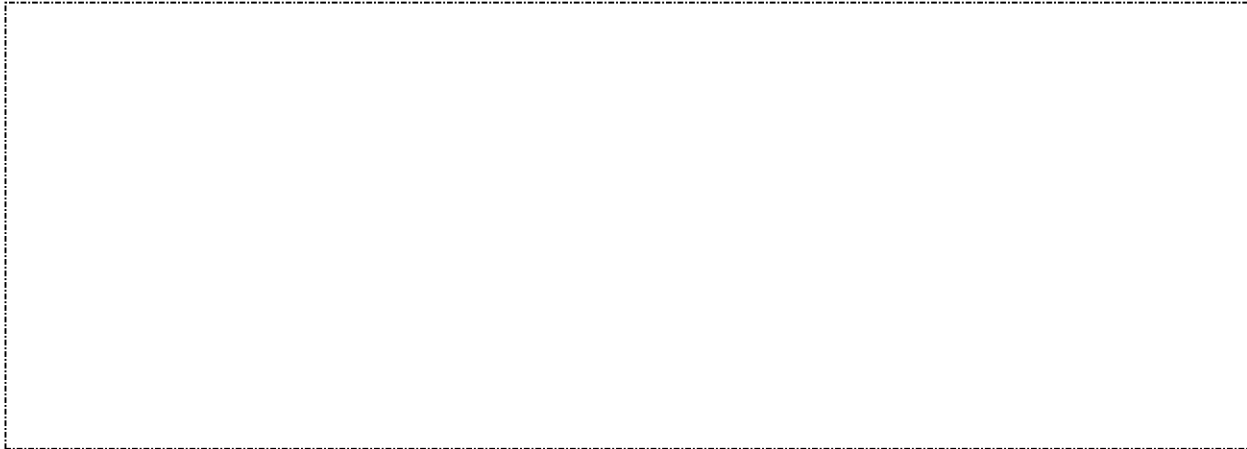
Mr. Marshall informed the Board that the latest Ernst and Young Report on the Muskrat Falls Project will be issued soon. Indications are that it will generally be positive.

1469. SALE OF NLH ASSETS



1470. REQUESTS FOR DATA CENTERS



**1471. NCC AGREEMENT****1472. Community Development Agreement-Nunatukavut Community Counsel Inc. (NCC)**

Mr. Keating provided an update on discussions between Nalcor and NCC with respect to a community development agreement. He stated that discussions have been very positive and were scheduled to continue on August 9th. He then provided some details with respect to terms of the agreement. He noted that the Government has been involved in these discussions as well. Mr. Keating anticipates an agreement being finalized over the next month or two. He stated that he would provide additional information with respect to this agreement to the Board at its next meeting.

**1473. 50TH ANNIVERSARY OF BAY D'ESPOIR
GENERATING STATION**

Mr. Haynes noted that 2017 is the 50th Anniversary of the opening of the Bay d'Espoir Generating Station. He stated that celebrations were scheduled for the following week.

1474. CHAIR OF THE METHYLMERCURY COMMITTEE

Mr. Bennett informed the Board that Dr. Karl Reimer had been appointed as Chair of the Methylmercury Technical Committee that was established as a result of the meeting between Aboriginal leaders and the Premier in the Fall of 2016. He noted that Dr. Reimer has been retained by the Government, but Nalcor will be providing the funding for Mr. Reimer and the Committee. He noted that a technical sub-committee would soon be established.

1475. IN CAMERA SESSION

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

The members of the Board of Directors, including Mr. Marshall, held an in camera session.

1476. TERMINATION

There being no further business, the meeting was terminated.



Secretary

Verified at a meeting held on

September 29, 2017



Chairperson