

Date : 1/17/2017 11:28:09 AM

From : "Abundo, Nena"

To : "Sullivan, Lynn"

Subject : FW: mandate letter

Attachment : Mandate letter from Shareholder (Minister Coady) to Nalcor Board November 2016.docx;

Nena Abundo

Director, Industrial Benefits (A)

Department of Natural Resources

Government of Newfoundland and Labrador

50 Elizabeth Avenue

P.O Box 8700 St. John's, NL A1B 4J6

t 709.729.1958 c 709-725-0862

nenabundo@gov.nl.ca

From: McConnell, Meaghan

Sent: Tuesday, January 17, 2017 11:14 AM

To: Abundo, Nena

Subject: FW: mandate letter

From: Combden, Leanne

Sent: Wednesday, December 21, 2016 10:23 AM

To: McConnell, Meaghan

Subject: mandate letter

Hi Meaghan

As discussed, attached is the revised mandate letter. The edits were made on the first page under the section Duties of Board Directors.

Thanks

Leanne

Leanne Combden

Manager (A), Electricity Industry

Department of Natural Resources

Government of Newfoundland and Labrador

729-2793 (office)

725-8086 (cell)



Government of Newfoundland and Labrador
Department of Natural Resources
Office of the Minister

Mr. Brendan Paddick
Chair, Board of Directors
Nalcor Energy
Hydro Place, 500 Columbus Drive
P.O. Box 12800
St. John's, NL
A1B 0C9

Dear Mr. Paddick:

Nalcor Energy – Letter of Expectation, 2016-2017

I am writing to you in your capacity as Chair of the Board of Directors of Nalcor Energy to confirm your organizational mandate and to outline Government's key expectations for the new Board of Directors.

As outlined in my mandate letter from Premier Ball, I have been directed to oversee the stewardship and development of the province's natural resources, with a particular focus on activities that lay the foundation for well-planned and well-managed resource development built on principles of innovation, excellence, and sound business and regulatory practices. As the province's energy corporation, with a vision to build a strong economic future for successive generations of Newfoundlanders and Labradorians, Nalcor has an important role in helping to achieve this mandate. As such, Government provides the following direction to the Board:

Duties of Board Directors

Directors on the Nalcor Board have both a duty of care and fiduciary duty to the corporation. As such, I expect the Board to act honestly and in good faith with a view to the best interests of the corporation. This includes being mindful of potential conflicts of interest and adhering to the related provisions outlined in the *Conflict of Interest Act, 1995*. I also expect the Board to act with a duty of care and demonstrate good governance as it carries out its duties by employing due diligence and skill, and to gather all the required information in order to make informed business decisions. I ask that Board members respect the trust and confidence that has been placed in them, and act with honesty and integrity in discharging their duties.

Some of Board's authorities and duties are outlined in the *Energy Corporation Act* and the *Corporations Act*. This legislation also sets out Cabinet's authority, as sole shareholder, to determine the Board's compensation and to direct the Board. If Board

members have not already done so, I encourage them to review this legislation and become familiar with the standards that apply to them as Nalcor board members.

Openness, Transparency and Accountability

Openness, transparency and accountability are core values of our Government; and we expect all departments, agencies, boards and commissions to adhere to these principles. Therefore, in carrying out its duties, I expect the Board's decision-making process to be open and transparent, to the extent possible, while respecting board members' duty to maintain the confidentiality of commercially sensitive information. I also expect that decisions will be informed by sound research and evidence and stakeholder engagement.

With respect to accountability, as Nalcor continues to implement a new operational structure, I ask Nalcor to complete a governance review, including all subsidiaries, to ensure that roles are clearly defined and appropriate accountabilities are in place in order to improve management oversight.

In carrying out its mandate, the Board must always ensure that the health, well-being and safety of all Newfoundlanders and Labradorians is a top priority.

Compensation

Given the province's fiscal situation, our Government is also acting prudently with respect to executive and management compensation. As a result, our Government recently issued a directive to Nalcor and Newfoundland and Labrador Hydro to not implement a cost of living increase of two percent in 2016 for its non-bargaining, management and executive employees. While our Government respects and appreciates the work of these employees, it would not be fiscally responsible to continue with this compensation framework in the current economic climate. I expect the new Board of Directors to respect this directive and implement it accordingly. In addition, I ask the Board to conduct a review of executive compensation, including bonuses, and develop a plan to bring compensation, benefits, and gender equity policies more in line with similar positions in other public sector bodies.

Muskrat Falls

Newfoundlanders and Labradorians must be the primary beneficiaries of the Muskrat Falls Project. Therefore, our Government has committed to opening the books on the project and ensuring it is managed effectively. To support this commitment, I ask the Board to provide regular and timely updates regarding the cost and schedule of the Muskrat Falls Project and to work expeditiously to ensure the project is on track.

Rate Mitigation

Our Government has committed to offset electricity rate increases associated with the Muskrat Falls Project through the sale of excess power, and has directed Nalcor to identify other opportunities to bring rates closer to those predicted at project sanction. I

expect the Board to support this work in an effort to keep rates as low as possible for the benefit of ratepayers.

Electricity Exports

With respect to external power sales, the Board is instructed to maximize the net benefits from in-province use of energy and energy export by directing Nalcor officials to: market competitive electricity generated by wind and hydro to regional, national and international markets; encourage investment and innovation in generation projects; and continue to seek opportunities to development the Gull Island project, including potential markets and access routes.

Newfoundland and Labrador Hydro

Newfoundland and Labrador Hydro is the province's regulated Crown corporation responsible for generating and transmitting electricity in the province and providing distribution and retail services to customers in Labrador and in areas of the Island not serviced by Newfoundland Power. As Newfoundland and Labrador Hydro is a subsidiary of Nalcor, I ask the Nalcor Board of Directors to work with Government to ensure the activities outlined below are carried out appropriately and in a timely manner.

In accordance with its mandate, as well as the *Electrical Power Control Act 1994*, (*EPCA*) and the *Public Utilities Act (PUA)*, I expect Newfoundland and Labrador Hydro to continue to provide ratepayers of the province with safe and reliable energy through rates that are reasonable and not unjustly discriminatory. Newfoundland and Labrador Hydro's actions, regulatory filings and performance must clearly demonstrate high prioritization for the regulatory function within the company.

In keeping with this priority, our Government is pleased that Nalcor has taken steps to separate its operations from those of Newfoundland and Labrador Hydro, which is regulated by the Board of Commissioners of Public Utilities. Separating Newfoundland and Labrador Hydro from Nalcor's unregulated activities provides greater protection and transparency for ratepayers, and ensures Newfoundland and Labrador Hydro is solely accountable for and focused on its regulated activities.

Encouraging distributed energy generation is a priority for this Government. As such, I expect Newfoundland and Labrador Hydro to work with Government to seek out opportunities to develop wind farms and small scale hydro. During this process, priority should be given to communities that are isolated from the primary power grid, including coastal regions of Labrador.

I am pleased that Newfoundland and Labrador Hydro recently submitted its net metering program application to the Board of Commissioners of Public Utilities for review. Once approved, I expect Newfoundland and Labrador Hydro to implement this program as soon as possible. In addition, following program implementation, I expect Newfoundland

and Labrador Hydro to work with Government in monitoring and reviewing its net metering program.

As the Department of Natural Resources is responsible for setting electricity policy in the province, I also expect officials with Newfoundland and Labrador Hydro to continue supporting departmental staff in their efforts to develop and implement policy by proactively sharing information on urgent matters and providing regular briefings on regulatory filings and technical reports.

Newfoundland and Labrador Hydro also has an important role to play as the province prepares to transition from an isolated system to a system integrated with North America. Upon completion of the Maritime Link, Labrador Island Link and the Muskrat Falls Project, the Island portion of the province will interconnect for the first time with the North American Bulk Electric System via Labrador and Nova Scotia. I expect Newfoundland and Labrador Hydro officials to continue working with Government to take the necessary steps required for interconnection and ensure the appropriate reliability standards are in place following interconnection.

Oil and Gas

Our Government has committed to lead the creation of an Oil and Gas Industry Development Council, consisting of government officials and industry stakeholders. The Council will determine the long term vision for the province's oil and gas industry and will be mandated to create a transparent energy policy with a focus on developing a more sustainable and competitive industry. As the Council moves forward, I expect the Board to support its work, as requested by Government.

I expect you to support Government in maintaining an attractive and stable business environment for operators and investors in the province's oil and gas industry. I also expect the Board to assist Government in creating conditions for increased offshore exploration and development. Further, I expect that the Board will ensure cooperation and communication with government departments and agencies, regulatory bodies, and industry stakeholders.

I ask that each Board member acknowledge the direction provided in this letter by signing below and providing a copy to my office. The signed letter will also be posted to Nalcor's website and made available to the public upon request.

I look forward to working with you and your fellow Board members and receiving regular updates as you work to achieve results.

Sincerely,

SIOBHAN COADY, MHA
St. John's West
Minister

Attachment

Brendan Paddick
Chair, Nalcor Energy

John Green, QC
Director, Nalcor Energy

Ann Marie Hann
Director, Nalcor Energy

Christopher Hickman
Director, Nalcor Energy

Jack Hillyard
Director, Nalcor Energy

Mark MacLeod
Director, Nalcor Energy

Brian Maynard
Director, Nalcor Energy

Debbie Molloy
Director, Nalcor Energy

David Oake
Director, Nalcor Energy

Dr. Edna Turpin
Director, Nalcor Energy

Stan Marshall
CEO, Nalcor Energy