

MINUTES OF THE THIRD MEETING OF THE BOARD OF DIRECTORS OF MUSKRAT FALLS CORPORATION HELD IN THE BOARDROOM, 6TH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON WEDNESDAY, MARCH 19, 2014 AT 03:40 P.M.

Present in Person: K. Marshall, Acting Chair
R. Daw, Member
E. Martin, Member
J. Quaicoe, Member

Present by Telephone: G. Shortall, Member

**Present by Invitation
In person:** Derrick Sturge, VP Finance & CFO
Gilbert Bennett, VP Lower Churchill Project
James Meaney, General Manager Finance,
Lower Churchill Project
Rob Hull, General Manager Finance

Secretary: Wayne Chamberlain

22. CONSTITUTION OF THE MEETING

Notice of the meeting was sent to all Directors on February 27, 2014. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

Mr. Shortall resigned as Chair and it was agreed that Mr. Marshall would be Acting Chair for the meeting.

23. AGENDA

It was agreed that with respect to the Agenda that Item 9: President's Report would be advanced and would now be Item 5 on the Agenda and all other items thereafter would be renumbered accordingly.

24. SAFETY MOMENT

Mr. Bennett provided a safety moment with respect to the recent freeze up of the river at the Muskrat Falls site whereby the water level rose above the bridge at the site.

25. VERIFICATION OF MINUTES

A copy of the minutes of the **FIRST** and **SECOND** meetings of the Board of Directors of Muskrat Falls Corporation held on November 15, 2013 and December 3, 2013, respectively and were included in the meeting papers circulated prior to the meeting.

On motion duly made by Mr. Martin, seconded by Mr. Daw and unanimously carried, it was resolved:

THAT the minutes of the **FIRST** and **SECOND** meetings of the Board of Directors of Muskrat Falls Corporation held on November 15, 2013 and December 3, 2013, 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.

26. REPORT FROM NALCOR AUDIT COMMITTEE

Mr. Shortall, Chair of the Nalcor Energy Board of Directors Audit Committee ("Committee"), provided a report to the Board. He advised that the Committee reviewed the Audit Results Report and the Audited Nalcor Energy Consolidated Financial Statements and the Financial Statements of all Nalcor Energy subsidiaries. He advised that there was a good discussion on the Corporation's 2013 Financial Statements and advised that hedges have been put in place. He noted that there were two changes to Notes 16 and 17 of the Corporation's Financial Statements whereby the net capital contribution was increased from

\$646.7 million to \$678.8 million to include the hedging contracts and Note 17 includes more information on the contractual commitments.

He advised that the Committee recommends that the Board approve the Corporation's 2013 Financial Statements with the two changes to Notes 16 and 17.

27. PRESIDENT'S REPORT

Mr. Martin provided a brief overview with respect to the vision, values and five corporate goals across Nalcor Energy and its subsidiaries. He advised that there are annual, five year and long term plans that support the five goals and there is a comprehensive performance management system whereby out-of-scope employees also have performance measures that relate to and support the corporate goals and objectives.

He stated that the corporate performance goals and objectives that are most important to the Board are provided in the President's Report and the highlights are included in a corporate quilt at the beginning of the Report. He stated that the corporate quilt is color coded to provide the Board with an indication with respect to the current performance, whereby green indicates on target, yellow is behind target, blue is ahead of target and red means likely to miss the target. He further advised that last year was a good year overall and are still aligned on the five year plan and supporting the twenty year plan.

Mr. Bennett reviewed the President's Report, a copy of which was included in the Board papers circulated prior to the meeting. He advised that all components of the Lower Churchill Project (Muskrat Falls, Labrador transmission assets and Labrador-Island link transmission) must be advanced in concert with one another, taking into the consideration the priorities and requirements of each component.

3rd Muskrat Falls Corporation Board Meeting
March 19, 2014
Page 4 of 11

He advised that the bulk of the work in 2013 was to ready the Muskrat Falls site and other components of the Project for construction activity in 2014. He stated that the biggest focus regarding contractors was not so much on contractual issues but rather on safety compliance to ensure that safety was at the forefront.

Mr. Bennett reported that the Environment Assessment was completed and have ensured that the right programs are in place prior to the commencement of the construction. He noted that the financing was completed and that 99% of the engineering is nearly completed whereby any new engineering that will be required will be responding to any changes that occur at the site as the work progresses. He advised that the construction management team is in place and when the construction commences the assets will be integrated with the operation of the business.

He advised that there is currently a good working relationship with the Resource Development Council that represents approximately 16 unions at the Muskrat Falls site. He also noted that there is a focus on ensuring alignment with the labour acquisition strategy as we are moving into the execution phase of the work.

Mr. Bennett provided an overview of the safety performance noting that to date the safety performance has been very good with one lost time incident in over 5 million hours of work at the site. He noted that the lost time incident resulted when a carpenter cut his hand while using a circular saw. He then reviewed the 2013 environmental performance target and advised that all four of the planned activities were completed.

He then reviewed the 2014 corporate quilt highlights and stated that there has been a relentless focus on safety. With respect to the environment the focus will

3rd Muskrat Falls Corporation Board Meeting
March 19, 2014
Page 5 of 11

be on completion of the environmental effects monitoring programs and managing the regulatory process to ensure there is alignment on the application of the regulatory process with Emera. He reviewed the capital expenditure amount and from an execution perspective the focus is on the schedule to ensure the delivery of first power from Muskrat Falls to the Island. He advised that coordination of transmission line contractors with Emera regarding the construction of the Maritime Link is ongoing and that the operations integration work will ramp up in 2014. There is also a focus is on ensuring there is an adequate supply of labour, including execution of the labour acquisition plan and engaging with municipalities at an appropriate level.

Mr. Martin stated that the key focus is cost and schedule overall. He advised that the remaining Muskrat Falls major contracts are being concluded and finalized and are currently releasing and negotiating the Labrador-Island Link contracts. He then provided an overview of the four main buckets being facilities capital, financing costs, operating costs and excess energy sales. He noted that with respect to facilities capital that the results have been good and generally as expected with respect to work being performed outside the Province. He also advised that with respect to work being performed within the Province there have been some cost pressures related to productivity including required design changes, productivity improvements such as Astaldi enclosing the site with a dome in order to improve productivity in the winter months and market pressures in a hot local market. As a result, there has been an increase in the overall costs and a revised Authorization for Expenditure ("AFE") with supporting information will be provided to the Board at a future date for approval.

He reported that the expected financing costs have been reduced as a result of the approach and structure of the financing and the response from the market. He noted that although the Project was a good project without the Federal Loan Guarantee, it has been helpful in reducing the overall financing costs.

3rd Muskrat Falls Corporation Board Meeting
March 19, 2014
Page 6 of 11

Mr. Martin also reviewed the benefits from any excess energy sales which were not included in the economics of the Project.

Mr. Bennett reported that Astaldi has been mobilizing resources and equipment with respect to commencement of the concrete work for the spillway, intake and powerhouse and noted that the camp accommodations will increase to accommodate 1800 workers to accommodate the Astaldi workforce, which will peak at 1100 workers in the fall of 2014. He advised that wages and benefits are comparable to other projects and are competitive with the Hebron project and are where they were expected to be.

28. FINANCIAL REPORT

Mr. Meaney reviewed the Financial Report, a copy of which was included in the Board papers circulated prior to the meeting. He provided a high level overview advising that there was a \$38 million variance whereby the actual costs incurred were under budget, driven primarily by delays associated with site infrastructure, (accommodations complex and concrete works for the powerhouse, intake and spillway) and that these costs will be incurred in 2014.

He reported that financial close occurred in December of 2013 for \$2.6 billion of Government of Canada guaranteed debt with a favourable interest rate for a term of 35 years. He also noted that several significant contracts were awarded in 2013.

Mr. Meaney reviewed the table comparing actual costs to budget with respect to major costs items. There was a question on the particulars for the increase in environmental and regulatory compliance and Mr. Bennett advised that there are a number of ongoing court challenges with respect to the environmental assessment approvals. It was agreed that the Board would be provided with more information on the increased costs for these matters at the next meeting.

There was also a question regarding Note 2 of the table on page 3 of the Report regarding what amount was being funded by Nalcor. Mr. Meaney advised that \$440 million of capital additions were funded by Nalcor and \$55.9 of capital additions were incurred by the Corporation.

29. 2013 FINANCIAL STATEMENTS

Mr. Hull reviewed the Financial Statements dated December 31, 2013, a copy of which was included in the Board papers circulated prior to the meeting. He stated that the Corporation was incorporated in mid-November 2013 and advised that the Muskrat Falls assets and contracts were assigned from Nalcor Energy to the Corporation. He advised that the financing was locked down in December and that contracts for \$2 billion to hedge the interest rate risk were executed which created stability in the market with respect to the financing.

He reported that the financing closed on December 10th and that the Corporation and Labrador Transmission Corporation are jointly and severally liable for the credit facility in the amount of \$2.6 billion whereby the Corporation's draw down will be in three tranches for a total of \$2.1 million.

Mr. Hull reviewed the Statement of Financial Position, Statement of Comprehensive Loss and Statement of Changes in Equity.

On motion duly made by Mr. Shortall, seconded by Mr. Martin and unanimously carried, it was resolved:

THAT the 2013 Financial Statements comprising of the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, all for the year-ended December 31, 2013, in a form substantially as tabled and initialed by the Secretary for identification, be and they are hereby approved; and

THAT G. Shortall and E. Martin, or any two Directors be and they are hereby authorized to sign said Financial Statements on behalf of the Board.

30. APPROVAL OF 2014 CAPITAL BUDGET

Mr. Meaney reviewed the 2014 Capital Budget Report, a copy of which was included in the Board papers circulated prior to the meeting. He reviewed the highlights of the Capital Budget whereby there was a total capital expenditure of \$641 million including \$588 million for direct capital expenditures, \$51 million for Interest During Construction and \$2 million in financing costs. He then reviewed the 2014 key construction activities and contract awards and the 2014 project budget breakdown of expenditures. He provided a further breakdown and composition of the \$530 million of procurement and construction contracts.

Mr. Bennett stated that the Board approved the AFE for full amount of the expenditures which provided for expenditures year over year.

Mr. Meaney reviewed the breakdown of the financing costs of \$1.9 million included in the Capital Budget.

On motion duly made by Mr. Shortall, seconded by Mr. Quaicoe and unanimously carried, it was resolved:

THAT the Muskrat Falls Corporation Capital Budget for 2014, as tabled and initialed by the Secretary for identification, be and it is hereby approved.

Mr. Martin left the meeting.

31. BOARD OF DIRECTORS ROLES AND RESPONSIBILITIES

Mr. Meaney stated that this presentation was provided to Board members at the Board orientation session and that he was prepared to review it again. It was

agreed that it was not necessary for Mr. Meaney to review this presentation again.

32. RATIFICATION OF BANKING RESOLUTION

On motion duly made by Mr. Daw, seconded by Mr. Shortall and unanimously carried, it was resolved:

THAT the email approval of the Board of Directors of the Banking Resolution for the Corporation on December 3, 2013, be and it is hereby ratified.

33. APPROVAL OF CODE OF BUSINESS CONDUCT AND ETHICS

On motion duly made by Mr. Quaicoe, seconded by Mr. Shortall and unanimously carried, it was resolved:

THAT the Code of Business Conduct and Ethics presented to the Board of Directors on March 19, 2014, be and it is hereby approved.

34. APPROVAL OF DIRECTOR'S CHARTER

On motion duly made by Mr. Daw, seconded by Mr. Shortall and unanimously carried, it was resolved:

THAT the Director's Charter presented to the Board of Directors at its meeting of March 19, 2014, be and it is hereby approved.

35. APPOINTMENT OF OFFICER

On motion duly made by Mr. Shortall, seconded by Mr. Quaicoe and unanimously carried, it was resolved:

WHEREAS Robert Hull has resigned as General Manager, Commercial/Financing effective January 16, 2014;

AND WHEREAS pursuant to Section 5.01 of By-Law No. 1 of the Corporation, the Board of Directors has the authority to appoint officers of

3rd Muskrat Falls Corporation Board Meeting
March 19, 2014
Page 10 of 11

the Corporation;

THEREFORE BE IT RESOLVED THAT Auburn Warren be and he is hereby appointed General Manager, Commercial, Treasury & Risk and Chief Risk Officer of the Corporation, effective January 16, 2014.

36. 2014 MEETING SCHEDULE

There was no comment on the 2014 Meeting Schedule. The Acting Chair advised that the Nalcor Energy Annual General Meeting is scheduled for June 4, 2014 and all Board members are invited and encouraged to attend the AGM.

37. COMPLIANCE CERTIFICATE

Mr. Hull referred to the Compliance Certificate for the period ended February 28, 2014.

38. OTHER BUSINESS

There was no other business.

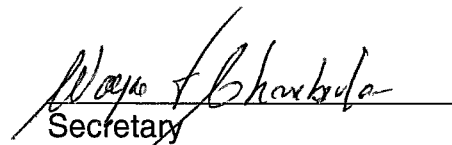
Messrs. Bennett, Sturge, Meaney and Hull left the meeting for the in camera session.

39. IN CAMERA SESSION

The Board of Directors held an in camera session. Messrs. Sturge and Chamberlain returned to the meeting. There were no comments.

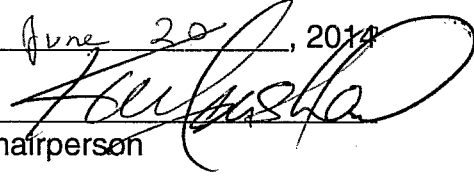
40. TERMINATION

There being no further business, the meeting was terminated.


Secretary

3rd Muskrat Falls Corporation Board Meeting
March 19, 2014
Page 11 of 11

Verified at a meeting held on

June 20, 2014


Acting Chairperson