

MINUTES

Muskrat Falls Project Oversight Committee

MEETING NO. 2 – June 24, 2014

Committee Members:

Present:

Ms. Julia Mullaley, Clerk (Chair)
Mr. Charles Bown, DM, Natural Resources
Ms. Donna Brewer, DM, Finance
Mr. Paul Noble, DM, Justice
Ms. Tracy King, Assistant Secretary to Cabinet (except items #3-#6)
Mr. Peter Au, ADM Finance
Mr. Paul Morris, ADM, Natural Resources
Mr. Paul Myrden, Director, Finance

Regrets:

Ms. Tracy English, Associate DM,
Natural Resources

Committee Support:

Mr. Craig Martin, Executive Director, Cabinet Secretariat
Mr. Randy Pelletier, Solicitor, Justice

Guests/Presenters:

Mr. Paul Harrington, Project Director, Nalcor Energy-Lower Churchill Project (for items #1-#3)
Mr. James Meaney, General Manager, Finance, Nalcor Energy-Lower Churchill Project
(for items #1-#3)
Mr. Mark Bradbury, Manager of Internal Audit, Nalcor Energy (for items #1-#3)

Time: 1:30 p.m.

Place: Cabinet Secretariat Boardroom

1. Project Update & Financial Update

Officials from Nalcor Energy presented an update on the current progress of the Muskrat Falls Project, including a financial update on the revised estimated capital costs of \$6.990 billion to complete the Project.

2. Project Governance and Controls Overview

Officials from Nalcor Energy presented an overview of the governance structure, control procedures and assurance framework established within Nalcor Energy for the Lower Churchill Project.

3. Role of the Independent Engineer

Officials from Nalcor Energy presented to the Committee on the role of the Independent Engineer (the 'IE') throughout the life cycle of the Lower Churchill Project. The presentation included an overview of the information reported to the IE, the activities undertaken by the IE and the reporting cycle of the IE to the Government of Canada and the Collateral Agent under the lending agreements for the Project.

4. Oversight Reliance on the Independent Engineer

Discussions were undertaken as to the reliance the Committee could place on the activities and reporting of MWH Canada, Inc. in its role as the IE for Canada for the Lower Churchill project.

An update was provided on the status of discussions with the federal government, Nalcor and the IE to formalize an arrangement to provide the Committee with access to the reports and activities of the IE.

5. Terms of Reference

The Chair presented the proposed Terms of Reference for the Committee to the members for discussion and review.

6. Ernst & Young Review process

The Executive Director provided an update on the progress of a review of Nalcor reporting protocols that are being undertaken by Ernst & Young (EY).

EY was engaged to conduct a third party assessment of the Oversight Committee's protocols that were under development to oversee the Muskrat Falls Project. This included a review of the information and materials the Committee would utilize for the purposes of delivering its oversight mandate. The results of that review and the recommendations would be incorporated into a "Shareholder's Letter" to be issued to Nalcor and its subsidiaries advising them of their reporting protocols to the Committee.

7. Other items

General discussions were undertaken with respect to several other issues. These included:

- a) The commitment that the first report of the Committee would be issued prior to the end of July; and
- b) An update on some proposed scopes of work that could be undertaken by the external independent auditor of Nalcor for the purposes of reporting back to the Committee.

8. Action Items for Next Meeting

Committee Members discussed the next steps to be taken leading to the next Committee meeting:

- a) Provide any final comments to the Executive Director, Oversight Committee on the following documents:
 - i. Draft EY report;
 - ii. Draft Terms of Reference of the Committee;
 - iii. Proposed scope of work to be undertaken by the external auditor for Nalcor Energy to supplement their current existing audit work of Nalcor Energy

- b) Executive Director, Oversight Committee to circulate the following documents to Committee members for discussion at next meeting:
 - i. Template for the proposed first Committee report
 - ii. Draft Shareholder's Letter outlining reporting expectations and including the reporting protocols

9. Adjournment

Meeting was adjourned at approximately 5:20 p.m.



Craig Martin, CMA
Executive Director,
Lower Churchill Project Oversight
Committee