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From : "Thompson, Robert"
To : "Dunderdale, Kathy"
Subject : LCP Benefits
Attachment : 2010-july-8-LCP Benefits Strategy.5pm.doc;

Minister

Below is the draft press release that may be released Friday (along with the RFP on engineering from Nalcor) in advance of NEG-ECP. I reviewed the text of the strategy document with you last Friday. Since then, there have been many tweaks made between ourselves and Nalcor (improvements but no significant changes), and the PO has been through it. Premier appears keen to see it released Friday.

Your review and approval of the release would be appreciated. Tina has done the drafting, with Ken in the loop, but I am forwarding it now just to speed the process along.

As this is fast-moving, we may have minor edits to the release in the morning.

I have attached the full strategy if you wish to examine it in more detail, though the release backgrounder below covers the significant points.

Thanks

Robert

Natural Resources
July 9, 2010

Lower Churchill Benefits Strategy Ensures Opportunities for the People of Newfoundland and Labrador

The Lower Churchill Benefits Strategy released today by the Provincial Government will ensure opportunities for the people of Newfoundland and Labrador during the construction phase of the Lower Churchill Project.

"The Lower Churchill Project is the most attractive, undeveloped hydroelectric project in North America, and it has the potential to provide significant long-term benefits to the province through the generation and transmission of clean, renewable energy," said the Honourable Kathy Dunderdale, Minister of Natural Resources. "In addition, employment and business activity during the construction phase of this Project will bring tremendous opportunities to all Newfoundlanders and Labradorians."

Work related to this Project will include construction of the Gull Island Hydroelectric Development, which is located 225 kilometres downstream from the existing Churchill Falls Generating Station, and the Muskrat Falls Hydroelectric Development, 60 kilometres from the Gull Island site. The development of these two projects will provide at least 5.5 million person hours of engineering and project management employment and 19 million person hours of construction employment in the province.

The benefits strategy also applies to the construction of the Labrador-Island Transmission Link, a High Voltage Direct Current (HDVC) system from central Labrador to the area of Soldiers Pond on the Island portion of the province. This work will result in approximately one million person hours of engineering and project management employment and 2.5 million person hours of construction employment in the province.

"In a similar way as the provincial government has benefits arrangements with oil and mining companies," noted Minister Dunderdale, "this Benefits Strategy clearly outlines the kinds of activities and procedures that will be followed by Nalcor Energy, its contractors and sub-contractors regarding business and employment benefits."

To ensure these benefits are felt by the people of Newfoundland and Labrador, the Provincial Government, through the Benefits Strategy, will work with Nalcor Energy - Lower Churchill Project to continue to enhance and build the necessary relationships with key industry stakeholders, educational institutions, labour unions and Aboriginal governments and groups. This will assist with the development and implementation of a Gender Equity Program and Diversity Program for all phases of the Project.

Project management activities will be executed within the province with the appropriate site management offices setup in Labrador and other areas of the province as required. Local contractors, service providers, consultants and suppliers will be made fully aware of any opportunities associated with the Project. They will have full and fair access to participate on a competitive basis.

The principles and commitments contained in the benefits strategy are embodied in the Request For Proposal (RFP) for engineering and project services issued today by Nalcor Energy.

"In our provincial Energy Plan, Focusing Our Energy, we committed to maximize the benefits from our major resource development for the people of the province," said Minister Dunderdale. "Our government is determined to make certain that all the work associated with this Project that can be performed here will indeed be done in this province. We intend to use the Benefits Strategy to guide and ensure the successful development of the Lower Churchill Project in the best interest of the province."

Once sanctioned for development, the Provincial Government will be provided monthly reports for the project's duration. This will include information such as the total number of person hours of work, number of person hours of project management and design work.

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BACKGROUNDER

Lower Churchill Benefits Strategy Highlights

Project Management

- . Project management activities associated with the project will be executed in the province.
- . The EPCM contractor will establish their own engineering, procurement, construction management and overall project management office in the province with appropriate personnel and decision-making authority.

Engineering and Project Management

- . The Lower Churchill Project and its EPCM contractors and sub-contractors will perform all engineering and project management, with the possible exception of specialized engineering, for the Project in the province.
- . All reasonable efforts will be made to have specialized engineering performed in the province. In the event there is specialized engineering undertaken outside the province, the province will ensure that such work is done in full collaboration with local engineering effort and is integrated into the local engineering effort.
- . No less than the following number of engineering and project management hours will take place within the province:
 - o Gull Island Hydroelectric Development - 4 million person hours
 - o Muskrat Falls Hydroelectric Development - 1.5 million person hours
 - o Transmission System - 1 million person hours

Procurement and Contracting

- . Procurement will be managed from the Lower Churchill Project and its EPCM contractor offices in the province.
- . The Lower Churchill Project and its EPCM contractor will be responsible for the following:
 - o Issue all Request for Proposals and procurement related documents
 - o Primary point of contact for all inquiries regarding contracts and procurement
 - o Coordinate supplier development activities
 - o Make all decisions related to procurement
 - o Issue procurement awards
 - o Conduct all meeting with suppliers related to procurement
- . All contractors and any sub-contractors will be aware and must comply with the applicable terms of the Benefits Strategy.
- . Appropriately-timed supplier development workshops will be provided to ensure local suppliers and contractors can prepare for bidding and establish business relationships. Workshops will be held on both the island and Labrador.

Construction and Assembly

- . No less than the following number of construction and assembly person hours will take place in the province
 - o Gull Island - 13.0 million person hours
 - o Muskrat Falls - 6.0 million person hours
 - o Transmission System - 2.5 million person hours
- . A construction hiring protocol will be established for generation and transmission construction, and it will implement commitments made in any executed Impacts and Benefits Agreements.

Gender Equity and Diversity

- . The objectives of the Gender Equity and Diversity Program will be to address employment equity for the Project, including access to employment opportunities for and employment of qualified women and other disadvantaged groups with an emphasis on continued improvement.

Reporting

- . The province will receive monthly and quarterly reports from the date of sanction and continuing throughout construction.

Lower Churchill Construction Projects Benefits Strategy

PART I Commitment to Benefits

In its Energy Plan, *Focusing our Energy*, the Government of Newfoundland and Labrador committed to maximizing the benefits from the development of the Province's natural resources. Government and Nalcor Energy Lower Churchill Project ("LCP") are committed to the principles outlined in the Energy Plan with respect to the construction of the Lower Churchill Hydroelectric Generation Project and the Labrador-Island Transmission Link. These projects will provide significant long-term benefits to the Province through the generation and transmission of clean, renewable energy. In addition, the projects will provide employment and business opportunities to Newfoundlanders and Labradorians during their construction.

Employment and business activity from the construction of the projects will provide the most immediate benefits, and much of this activity for the generation project will occur in Labrador. The construction of the transmission project will see employment and business activity throughout the Province.

All the work for the projects that can be performed in Newfoundland and Labrador shall be performed in Newfoundland and Labrador. To accomplish this and further our Energy Plan goals, Government and LCP will build necessary relationships and continue to work with industry, educational institutions, labour, and aboriginal governments and groups.

This document outlines the overall benefits strategy for the construction of the projects. This Benefits Strategy will inform all contracts, purchasing, and employment, and all contractors and subcontractors will be required to adhere to the principles and commitments as stated herein. The overriding objective of this Benefits Strategy is to provide opportunities and benefits to the people of Newfoundland and Labrador during the construction phase of the projects.

PART II Definitions

"Assembly" shall include:

- (a) the fitting together of manufactured items or structural components into a complete structure;
- (b) installation of ductwork;
- (c) installation of piping;

- (d) installation of mechanical, electrical, instrumentation, communications, heating, ventilation and air conditioning systems;
- (e) installation of manufactured components and equipment; and
- (f) all temporary works supporting Assembly.

“Construction” shall include:

- (a) civil construction;
- (b) mechanical completion and commissioning work; and
- (c) all infrastructure and temporary works supporting construction.

“Coordinator” means an individual and an alternate identified by each of LCP and the Department of Natural Resources who shall have the prime responsibility on their respective behalf for administering the implementation of this strategy. The Coordinators, on behalf of each of LCP and the Province, will communicate information which either party requires in connection with compliance with this document.

“Coordinator – NR” shall refer to the Coordinator and alternate appointed by the Department of Natural Resources, and “Coordinator – LCP” shall refer to the Coordinator and alternate appointed by LCP.

“EPCM contractor(s)” means the successful bidder(s) on the engineering, procurement and construction management contract(s) entered into by LCP.

“IBA” means an impacts and benefits agreement signed by LCP with an aboriginal group.

“LCP” means Nalcor Energy - Lower Churchill Project.

“Person Hours” means hours spent by any person doing work in relation to the Projects.

“Projects” means the construction projects described in PART III.

“Province” means the Province of Newfoundland and Labrador.

“Resident” means a person ordinarily resident in the Province or who meets the requirements of the Elections Act, 1991, SNL1992 c. E-3.1, as amended from time to time.

“Specialized Engineering” refers to specialized engineering expertise of a particular and specific nature which is ordinarily performed in limited centres worldwide, and which meets the criteria set out in section 2.3.

PART III Projects' Description

The Projects consist of:

- 1) Construction of a hydroelectric generating station located at Gull Island plus any associated Hvac transmission, approximately 225 kilometres downstream from the existing Churchill Falls Generating Station ("Gull Island Generating Facility");
- 2) Construction of a hydroelectric generating station located at Muskrat Falls plus any associated Hvac transmission, approximately 60 kilometres downstream from the Gull Island site ("Muskrat Falls Generating Facility"); and
- 3) Construction of a High Voltage Direct Current (HVdc) system comprised of high voltage overhead lines crossing from central Labrador to Soldiers Pond or vicinity on the Island of Newfoundland and associated converter stations ("HVdc Transmission System").

The Projects' description may be refined and will be amended as appropriate when infrastructure for the export of electricity from the Province is identified.

PART IV Industrial Benefits

1. Project Management

LCP is headquartered in the Province and will establish site management offices in Labrador and in other locations within the Province with appropriate levels of decision making.

Project management activities of LCP will be executed in the Province. All key decisions relating to the Projects will be made from within the Province.

The EPCM contractor(s) will establish their own engineering, procurement, construction management and overall project management office in the Province, and this office will include personnel with appropriate decision making authority.

2. Engineering and Project Management

- 2.1** LCP and its EPCM contractor(s) and their sub-contractors shall perform all engineering and project management for the Projects in the Province, with the possible exception of Specialized Engineering as set out in section 2.3.
- 2.2** Based on current estimates, not less than the following number of engineering and project management hours will take place within the Province:

- Muskrat Falls Generating Facility : 1.5 Million Person Hours
- Gull Island Generating Facility: 4 Million Person Hours
- HVdc Transmission System: 1 Million Person Hours

2.3 Specialized Engineering may occur outside the Province when the following conditions are met:

- (a) The work is integral to a Project; and
- (b) The work is of such limited duration or intensity that relocating the necessary expertise to the Province is impractical.

2.4 LCP shall use all reasonable efforts to have Specialized Engineering performed in the Province, including:

- (a) Paying commercially reasonable costs of relocating required personnel to the Province; and
- (b) Providing wages, benefits, and accommodations that are competitive with those paid in jurisdictions from which the required expertise or experience is obtained.

2.5 In the event there is Specialized Engineering undertaken outside the Province, LCP shall ensure that such Specialized Engineering work is in full collaboration with local engineering effort, and the results of such Specialized Engineering shall be integrated into the local engineering effort as soon as practicable.

2.6 Coordinator - LCP shall provide Coordinator-NR with written notice in advance of proceeding with Specialized Engineering outside of the Province. Such written notice shall include a description of the work and how each of the criteria related to Specialized Engineering have been met.

2.7 LCP shall ensure that its EPCM contractor(s) are aware of and comply with these commitments.

3. Procurement and Contracting

3.1 From their respective offices in the Province, LCP and its EPCM contractor(s) will:

- Issue all Request for Proposals / Procurement related documents;
- Be the primary point of contact for all inquiries regarding contracts and procurement;
- Coordinate supplier development activities;
- Make all decisions related to procurement;

- Issue procurement awards; and
 - Conduct all meetings with suppliers (other than those necessary to be performed at the supplier's location) related to procurement.
- 3.2** Contractors, service providers, consultants, and suppliers within the Province will be provided with full and fair opportunity to participate, on a competitive basis, in the supply of goods and services.
- 3.3** All requests for proposals and bid packages in relation to the Projects shall require that bidders use standards that meet the requirements of Canadian governmental authorities and will specify Canadian standards where appropriate.
- 3.4** LCP shall require that their primary contractors and their immediate subcontractors constructing the Projects be aware of the terms of this Benefits Strategy that are relevant to the activities of such contractor and shall cause such contractors to comply with the terms of this Benefits Strategy that are relevant to the activities of such contractor under such contract.
- 3.5** LCP shall conduct appropriately-timed supplier development workshops, including specific workshops in Labrador, so potential Newfoundland and Labrador suppliers and contractors can prepare for bidding opportunities and establish business relationships, and promote and encourage technology transfer opportunities.
- 3.6** LCP shall conduct one or more safety workshops, including at least one in Labrador, open to potential contractors and sub-contractors to ensure that potential bidders have the opportunity to meet necessary safety requirements.
- 3.7** LCP shall provide open, timely and transparent access to procurement opportunities and activities in relation to the Projects.
- 3.8** LCP shall develop and conform to a contracting and purchasing policy. LCP shall require that its primary contractors conform to this policy. This policy shall, at minimum, require LCP and its primary contractors to:
- (a) provide reasonable advance notice to the local supply and service community of all procurement opportunities;
 - (b) become familiar with Newfoundland and Labrador contractor capabilities, and size and design packages in a manner which recognizes those capabilities;

- (c) communicate with Newfoundland and Labrador suppliers and contractors and when requested make reasonable efforts to guide them in qualifying for future proposals and contracts;
- (d) make the tendering and request for proposal processes, names and locations of key procurement personnel available to potential Newfoundland and Labrador suppliers and contractors where appropriate;
- (e) require benefits information as part of the tendering and request for proposal processes in sufficient detail to assess the benefits to be derived from a proposal or tender, including requiring bidders to complete a benefits questionnaire as part of that process;
- (f) communicate with unsuccessful proponents, when requested, to help the proponents better prepare for future opportunities.

3.9 LCP's procurement process shall be published on LCP's website.

3.10 The procurement process of LCP shall be consistent with the requirements of the Energy Corporation Act and any commitments contained in executed IBA's.

4. Construction and Assembly

4.1 It is recognized that all Construction for the Projects will occur in the Province, including:

- (a) Muskrat Falls concrete dams, powerhouse, intake and spillway structures and associated ac transmission facilities;
- (b) Gull Island rock fill and concrete dams, diversion tunnels, intake and spillway structures, penstocks and associated ac transmission facilities; and
- (c) HVdc Transmission System, including converter stations, switchyards, and overhead dc transmission lines.

4.2 Based on current estimates, not less than the following number of Construction and Assembly Person Hours will take place in the Province:

- Muskrat Falls Hydroelectric Development: 6 Million Person Hours
- Gull Island Hydroelectric Development: 13 Million Person Hours
- HVdc Transmission System: 2.5 Million Person Hours

- 4.3** A construction hiring protocol will be established for the generation stations. This protocol will be consistent with the Canadian Charter of Human Rights and Freedoms, as well as associated terms and conditions of environmental assessment ministerial approval. The protocol will implement commitments made in any executed IBA, followed by first consideration for employment for qualified residents of Labrador, followed by qualified Residents of the Province, taking into account section 5 below. Any collective agreements entered into by LCP or its primary contractors shall contain provisions consistent with this protocol and those commitments.
- 4.4** A construction hiring protocol will be established for Hvdc Transmission System construction. This protocol will be consistent with the Canadian Charter of Human Rights and Freedoms, as well as associated terms and conditions of environmental assessment ministerial approval. The protocol will implement any commitments made in any executed IBA, followed by first consideration for employment of qualified Residents of the Province, taking into account section 5 below. Any collective agreements entered into by LCP or its primary contractors shall contain provisions consistent with this protocol.
- 4.5** All or substantially all Assembly for the Projects shall occur in the Province.

5. Gender Equity and Diversity

- 5.1** LCP will engage in consultation prior to sanction with relevant stakeholder organizations, as well as consultation with relevant provincial departments and agencies. Following this consultation, and prior to project sanction, LCP will develop and implement a Gender Equity Program and a Diversity Program for all LCP activities in the Province for all phases of the Projects.

5.2 Gender Equity Program

- (a) The objectives of the Gender Equity Program will be to address employment equity for the Projects, including access to employment opportunities for and employment of qualified women in the Projects, with an emphasis on continuous improvement. The program will implement proactive programs and practices that contribute to the creation of an inclusive work environment and corporate culture. The program will promote accountability and responsibility for gender equity.
- (b) The Gender Equity Program shall include a women's employment plan and business access strategy ("WEP") in which LCP will establish quantitative goals for employment of women at all phases of the Projects. LCP will initially set such goals by taking into account the availability of women in

particular occupational categories as identified by Statistics Canada in its Employment Equity Data Report. The WEP will institute ongoing programs and processes to facilitate employment and participation for women in all phases of the Projects, and at all facilities, sites and offices in the Province where work performed by LCP and its primary contractors relating to the Projects is taking place.

(c) The WEP will include the following provisions:

- LCP will put in place the necessary organization resources to develop and implement the WEP;
- LCP will support training and recruitment programs for women in consultation with training and educational institutions in the Province;
- LCP will provide facilities for the Projects that are accommodative of women, and will require a safe and respectful work environment;
- LCP will require that each primary contractor to the Projects provide LCP with a plan for compliance with the WEP, and will require that contracts related to the execution of the Projects include an acknowledgement from the successful bidder that they are aware of the existence and importance of the WEP;
- LCP will identify and implement special measures to attract and secure employment of women in occupations where women are under-represented, including setting longer term qualitative goals to employ more women in occupational areas where women are historically under-represented;
- LCP will develop an implementation schedule and will report on progress to the Province; and
- LCP will consult on development and progress on the WEP in an annual consultation with the Province and other stakeholders, including community groups.

5.3 Diversity Program

- (a) The objectives of the Diversity Program will be to address employment equity for the Projects, including access to employment opportunities for and employment of qualified members of disadvantaged groups in the Projects, with an emphasis on continuous improvement. The program will implement proactive programs and practices that contribute to the creation of an inclusive work environment and corporate culture. The program will promote accountability and responsibility for diversity.

- (b) The Diversity Program shall include a diversity and business access strategy for disadvantaged groups (“Diversity Plan”) in which LCP will establish quantitative goals. The Diversity Plan will institute ongoing programs and processes to facilitate employment and participation for disadvantaged groups in all phases of the Projects, and at all facilities, site and offices in the Province where work performed by LCP and primary contractors relating to the Projects is taking place.
- (c) The Diversity Plan will include the following provisions:
- LCP will put in place the necessary organization resources to develop and implement the Diversity Plan;
 - LCP will support training and recruitment programs for disadvantaged groups in consultation with training and educational institutions in the Province;
 - LCP will require that each primary contractor to the Projects provide LCP with a plan for compliance with the Diversity Plan, and will require that contracts related to the execution of the Projects include an acknowledgement from successful bidder that they are aware of the existence and importance of the Diversity Plan;
 - LCP will develop an implementation schedule and will report on progress to the Province; and
 - LCP will consult on development and progress on the Diversity Plan in an annual consultation with the Province and other stakeholders, including community groups.

6. Reporting

6.1 Monthly Reporting

- (a) LCP shall provide to the Province reports on a monthly basis from the date of sanction of the Projects and continuing throughout the life of the construction Projects in a form satisfactory to the Province.
- (b) Monthly reports shall contain the following information, in all cases broken out by National Occupational Classification Code, location, contractor, Aboriginal affiliation, and gender relating to the Projects for the period:

- (i) Total number of Person Hours of all work on the Projects in that month and to date;
 - (ii) Number of Person Hours of project management in the Province in that month and to date;
 - (iii) Number of Person Hours of engineering design work in the Province in that month and to date;
 - (iv) Number of Person Hours of Construction and Assembly in the Province in that month and to date;
 - (v) Number of Residents of the Province hired for the project team and the percentage of project team members who are Residents of the Province;
 - (vi) Number of Residents of the Province hired for engineering design work and the percentage of engineering design workers who are Residents of the Province;
 - (vii) Number of Residents of the Province hired for Construction and the percentage of Construction workers who are Residents of the Province; and
 - (viii) Number of Person Hours of Specialized Engineering performed outside the Province (if any) by component.
- (c) Monthly reports shall also provide the following information:
- (i) Total value of goods and services purchased;
 - (ii) Total value of services purchased from businesses in the province by geographic location;
 - (iii) Total value of purchases by industry category (e.g., transportation, fuel, equipment, etc.);
 - (iv) Cumulative total value of goods and services referred to in subparagraphs (i), (ii) and (iii) for the year to date;
 - (v) details of contracts awarded in that month.

6.2 Quarterly Reporting

- (a) LCP shall provide to the Province reports on a quarterly basis from the date of sanction of a Project or Projects and continuing throughout the life of the construction Projects in a form satisfactory to the Province.

- (b) The quarterly report shall contain the following relating to the Projects for the period:
 - (i) A statement from the Coordinator-LCP regarding the level of compliance with the strategy over the reporting period;
 - (ii) Information regarding supplier development workshops performed during the reporting period;
 - (iii) Report of activities carried out pursuant to the Gender Equity Program;
 - (iv) Report of activities carried out pursuant to the Diversity Program; and
 - (v) Procurement forecasts.

6.3 The data collection and data contained in the reports referred to in sections 6.1 and 6.2 shall be reported in a format compatible with the requirements of Newfoundland Statistics Agency. The reports will indicate all the sources of data contained within and the collection must be able to be certified for accuracy and representativeness.

6.4 Where employment projections are provided, information on the specification of the projection model should be provided indicating the data source used by the model and the underlying assumptions.

6.5 LCP shall submit the monthly reports referred to in section 6.1 above by the end of the month following the month to which the monthly report applies.

6.6 LCP shall submit the quarterly reports referred to in section 6.2 above by the end of the first month following the last month of the quarter to which the quarterly report applies.

6.7 Following the submission of the report referred to in section 6.2 above, the Coordinators shall meet to review opportunities for benefits in the Province in respect of the Projects and compliance with the requirements of this Benefits Strategy.

6.8 Each of LCP and the Department of Natural Resources will advise the other of any changes in the appointment of its respective Coordinator.

7. Confidentiality

- 7.1** The Energy Corporation Act applies to information provided pursuant to this document.

8. Other Projects

- 8.1** Where the Minister is of the view that the commitments in this Benefits Strategy may constrain the ability of other projects to meet benefits commitments they have made to the Government, the Minister may, in his or her sole discretion, adjust the commitments in this Benefits Strategy.

9. Public Updates

- 9.1** LCP will provide regular updates on the Projects and shall publish such updates on their website.
- 9.2** The Minister of Natural Resources may, from time to time, provide updates to the public or to the House of Assembly on the progress of the Projects and LCP's compliance with this Benefits Strategy.