

Nalcor Energy – Lower Churchill Project



FINANCIAL AUTHORITY PROCEDURE

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1.0 Purpose

The purpose of this document is to provide direction and guidance with respect to the process and approval authority limits associated with financial authorization, commitment and verification for the Lower Churchill Project.

2.0 Scope

This procedure documents the review and delegation levels of the incumbents in the named positions for the categories of Responsibility listed. The authority levels of a position may be granted either permanently or temporarily by the manager of that position within the limits of that manager's delegation authority and in accordance with this procedure.

3.0 Definitions

LCP-PT-MD-0000-PM-LS-0001-01 Project Dictionary is the approved dictionary of definitions for the LCP.

Accountability Acknowledgement and assumption of certain actions and being answerable for the satisfactory completion of them.

Approval Authority Limit Outlines the authorization limits provided to individuals who have Accountability for delivering certain aspects of the LCP scope, which must be within the parameters outlined in the approved AFE(s).

Attest The process of completing Financial Verification, Technical Verification and securing Budget Holder approval to pay an invoice.

Authority The power and autonomy granted to individuals so that they can make final decisions (generally determined by their Accountability).

Authorization for Expenditure The mechanism by which approval for appropriations of capital expenditure is obtained. AFE's can take any of the the following forms:

Pre-Sanction AFE - The means by which funds for pre-sanction activity for each Project Component are approved for expenditure by the Board of Directors.

Master AFE - The means by which funds for post-sanction activity for each Project Component are approved for expenditure by the Board of Directors.

Supplemental AFE - The mechanism used to secure approval for capital expenditures that are outside the scope or in excess of a previously

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issued AFE.

Baseline	In project control, the reference plans in which cost, schedule, scope and other project performance criteria are formally compared against for assessment of progress and performance, and the comparison benchmark for identifying cost and schedule deviations.
Board of Directors	Refers to the Board of Directors of Nalcor Energy or any of the LCP Companies, as the context may require.
Budget	The Budget is derived based on the Current Control Budget (CCB) as defined in the Project Controls Management Plan LCP-PT-MD-0000-PC-PL-0001-01. In the instance where only the Original Control Budget (OCB) exists, then this forms the basis for the Budget. The scope of the Budget will be consistent with that of the OCB/CCB and hence can be multi-year in nature.
Budget Holder	Person who is delegated Authorization Authority in accordance with the Financial Authority Procedure and has been assigned Responsibility for the completion of aspects of the work scope contained in an LCP Company AFE and who is accountable for developing, scheduling, controlling, forecasting and delivering against a particular project scope. The Budget Holder is also responsible for financial stewardship of funding associated with his/her work scope.
Change Control Board	A panel within the PMT that is responsible for determining whether proposed Project changes shall be approved and developed further or rejected.
Change Order	A commercial document which represents an accepted and approved change or amendment to a Project Contract or Purchase Order.
Contract	A legal agreement that binds an LCP Company to a Financial Commitment and/or obligation to another party.
Cost Control Accounts	The Cost Control Account is a unique code applied against each item of cost for the Project.
Current Control Budget	The Original Control Budget plus the estimated value of any approved scope additions or deletions.
Contingency	Provision made for variations to the basis of an estimate of time or cost

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that are likely to occur, that cannot be specifically identified at the time the estimate is prepared but, experience shows, will likely occur.

Note: Contingency does not cover scope changes outside the Project's parameters, events such as strikes or natural disasters, escalation or foreign currency impact, or changes that alter the basis upon which the control point for management of change has been established as captured in key project documents (e.g. basis of design, project execution plan).

Decision Gate	A Decision Gate is a predefined point in time where the Gatekeeper has to make a decision whether to move to the next stage, make a temporary hold or to terminate the Project.
EPCM Contract	Services Agreement LC-G-002 awarded to SNC-Lavalin Inc. covering engineering, procurement and construction management. The EPCM Contract will be treated as a Master Service Agreement for purposes of application of this procedure.
Financial Commitment	Subject to securing Financial Authorization, a legal agreement (Contract/PO/WTO/PAA/Change Order) between an LCP Company and another party which constitutes an obligation to receive and pay for goods and/or services for an agreed price or in accordance with an agreed pricing structure.
Financial Verification	The verification by appropriate parties of the successful completion of the financial attest of an invoice.
Gatekeeper	Individual responsible for making the decision at a Decision Gate of the Gateway Process.
Independent Consultant	Individuals contracted by the Lower Churchill Management Corporation under contract to fill a specific role within the Project Management Team.
LCP Company	<p>Either of:</p> <ul style="list-style-type: none"> • Lower Churchill Management Corporation • Muskrat Falls Corporation • Labrador Transmission Corporation • Labrador-Island Link Limited Partnership • Labrador-Island Link General Partner Corporation • Labrador-Island Link Holding Corporation

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- Labrador-Island Link Operating Corporation

Management of Change	Procedures as detailed in the Project Change Management Plan LCP-PT-MD-0000-PM-PL-0002-01.
Master Service Agreement	A standing agreement whereby there can be a periodic draw on goods and/or services as required under an established compensation and services scheme.
Original Control Budget	The OCB is the Project's Decision Gate 2 and 3 estimate as defined by the Project Design Basis and Project Control Schedule. More definition detail is contained in the Project Controls Management Plan Doc # LCP-PT-MD-0000-PC-PL-0001-01.
Power Development	Encompasses all generating facilities at Muskrat Falls, including the dams, powerhouse and spillway.
Power Supply	Encompasses all transmission related activities and components including Labrador Transmission Assets, the Strait of Belle Isle marine crossing and the Labrador-Island Link.
Payment Certificate	<p>A documented declaration by a contractor demonstrating that it has achieved a milestone and/or a level of work progress.</p> <p>Approval of a Payment Certificate by a company representative constitutes approval that the work has been completed (or progressed) in accordance with the terms and conditions of the Contract.</p>
Project	Lower Churchill Project
Project Assignment Authorization	For the EPCM Contract the WTO is replaced with a Project Assignment Authorization (PAA) to draw on resources under that agreement. PAA's may also be used as support to a Requisition for the acquisition of personnel under Master Service Agreements.
Project Component	The development of the Lower Churchill Project currently entails six (6) separate but related projects, namely (1) the hydroelectric generating plant at Muskrat Falls and (2) at Gull Island, (3) Labrador Transmission Assets, (4) the Labrador Island Transmission Link, (5) the Maritime Link and (6) the transmission infrastructure and arrangements necessary for the marketing of Gull Island power. These six (6) projects are referred to as Project Components.

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Project Sanction	Approval to proceed through Decision Gate 3.
Purchase Order	A Contract with a provider of goods, equipment or materials with a desired delivery time and with specific quantities and prices.
Requisition	Documents the internal review and authorization process required prior to procuring goods and services. A Requisition is required to authorize the issuance of a Financial Commitment document; i.e. Contract, PO, WTO, PAA or Change Order. For application to the EPCM Contract the PAA will also serve to fulfill the requirements of the Requisition.
Responsibility	The obligations taken on by individuals in their roles in the formal organization to effectively perform assignments.
Technical Verification	The technical review of an invoice's supporting documents for such items as milestone certificates, Payment Certificates, quantity survey certificates, materials receiving reports and documentation to support work task completions.
Work Task Order	A commercial document used to contract services and provide an instruction to the contractor to execute a scope of work under an MSA. The WTO, along with the attachments, describes the work scope, resources, hours, schedule, reporting requirements, costs, deliverables and desired outcome of the work scope. For the EPCM Contract the WTO is replaced with a Project Assignment Authorization to draw on resources under that agreement.

4.0 Abbreviations and Acronyms

AAL	Approval Authority Limits
AFE	Authorization for Expenditure
CCB	Current Control Budget
CEO	Nalcor Energy Chief Executive Officer
CFO	Nalcor Energy Chief Financial Officer
EOI	Expressions of Interest
LCP	Lower Churchill Project
MSA	Master Service Agreement
OCB	Original Control Budget
PAA	Personnel Assignment Authorization

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PMT	Project Management Team
PO	Purchase Order
RFP/Q	Request for Proposal/Quote
SCM	Supply Chain Management for Lower Churchill Project
WTO	Work Task Order

5.0 Reference Documents and/or Associated Forms

LCP-PT-MD-0000-PM-PL-0005-01	Project Governance Plan
LCP-PT-MD-0000-PM-PL-0002-01	Project Change Management Plan
LCP-PT-MD-0000-PC-PL-0001-01	Project Controls Management Plan
LCP-PT-MD-0000-SC-PL-0001-01	Procurement Management Plan
LCP-PT-MD-0000-PM-LS-0001-01	Project Dictionary
LCP-PT-MD-0000-PM-PR-0001-01	Gateway Process
LCP-PT-MD-0000-SC-FR-0002-01	Field Work Order
LCP-PT-MD-0000-PO-PR-0001-01	Payment Certificate Procedure
FRM-MM-018	Requisition/Release Form

6.0 Roles and Responsibilities

- | | |
|--|--|
| Project Director - Generation | <ul style="list-style-type: none"> Responsible for financial stewardship of the approved LCP Company AFE's within the Project Director - Generation scope of authority, generally encompassing activities and costs pertaining to planning, environmental approvals, construction management and execution. |
| Project Director - Transmission | <ul style="list-style-type: none"> Responsible for financial stewardship of the approved LCP Company AFE's within the Project Director - Transmission scope of authority, generally encompassing activities and costs pertaining to planning, environmental approvals, construction management and execution. |
| General Manager Finance | <ul style="list-style-type: none"> Responsible for financial stewardship of the approved LCP Company AFE's within the General Manager Finance scope of budgetary authority, generally encompassing activities and costs pertaining to debt and equity financing and Project related corporate commercial contracts. While these activities may be under the direction of other individuals, the General Manager Finance is designated as Budget Holder for these costs and as such, is responsible to ensure that costs pertaining to these activities are included in the Project scope and estimate and that budgeted funds are allotted, authorized as necessary, monitored and controlled. Ensure LCP Company AFE's are properly approved before financial obligations are incurred; Owner of the AAL process for the Project; and Co-ordinate preparation and secure approval of all LCP Company AFE's. |

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| Project Controller | <ul style="list-style-type: none"> • Maintain: <ul style="list-style-type: none"> - a master file of all temporary and permanent delegations issued during the Project; - up to date Approval Authority Limits matrix along with previous versions of the matrix and the associated start and end dates; • Publish Authorization Authority Level matrices on a regular basis; • Log emergency expenditure explanations; and • Formulates and monitors processes and controls associated with invoice Attest. |
| Project Controls Manager | <ul style="list-style-type: none"> • Responsible for ensuring the preparation of estimates, Budgets, schedules and plans necessary for the effective control of the Project Components; • Verification that all cost on a pending Requisition is aligned with the approved AFE; • Verification of cost coding on all Requisitions; and • Facilitate the Management of Change process with respect to budgetary control. |
| Budget Holders | <ul style="list-style-type: none"> • Assume line management responsibility for effective financial control; • Responsible for adherence to this procedure; • Delegation of AAL in accordance with the requirements of this procedure; • Approval of Requisitions to facilitate the release of Financial Commitments, seeking functional input from SCM and Project Controls functions; and • Ensures compliance with processes and controls associated with Technical and Financial Verification of invoices. |
| Manager Supply Chain | <ul style="list-style-type: none"> • Owner of the Requisition process for the Lower Churchill Project; • Responsible for signing all Financial Commitments supported by an approved Requisition; and • Administering Financial Commitment changes in accordance with the requirements of this procedure. |

7.0 Guiding Principles

The Financial Authority Procedure promotes the following guiding principles:

- a. The Project will have designated functions including Project Controls, Finance and Supply Chain Management who will work together and oversee financial control of the Project.

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- b. Delegated authority level will be commensurate with normal day-to-day activities associated with responsibilities of the position.
 - c. Individuals in positions with AAL cannot approve any form of financially related document such as, without limitation, Requisitions, Contracts, PO's, WTO's, PAA's, material slips, timesheets or invoices that result in a benefit to that individual or the company employing the individual. These items must be approved by the next higher level within the AAL Matrix that has no relationship to the matter presented for approval.
 - d. All Requisitions will be reviewed and signed off by Project Controls and Supply Chain Management in addition to being approved by the Budget Holder having the necessary AAL.
 - e. Scopes of work or services will not be segregated (i.e. order splitting) in order to circumvent the approval process and this procedure.
 - f. No Budget funds may be allocated to a Budget Holder for expenditure authorization unless contained within the scope of an approved AFE.
 - g. Individuals may be delegated AAL in accordance with delegation of authority guidelines outlined in this procedure.
 - h. Individuals in positions with AAL cannot authorize expenditures outside the scope of their Budget and workplan or the related AFE. Notwithstanding the organizational design of the Project, there are circumstances where a Budget Holder is assigned scope and Responsibility for managing Contracts that may:
 - i. provide Project wide services; or
 - ii. include construction activity that spans both Power Development and Power Supply.

In those situations Authorization authority, to the extent required beyond the Budget Holder, will be applied within the Budget Holder's organization and the Budget Holder will:

- i. maintain ownership of the scope and have Responsibility to Power Development and Power Supply for both the delivery of services and/or work execution and Accountability for the associated budget; and
- ii. fully cooperate and coordinate with representatives of Power Development and Power Supply in directing the services and/or work execution, on a coordinated basis, to support the successful delivery of services or construction activities on behalf of both Power Development and Power Supply.

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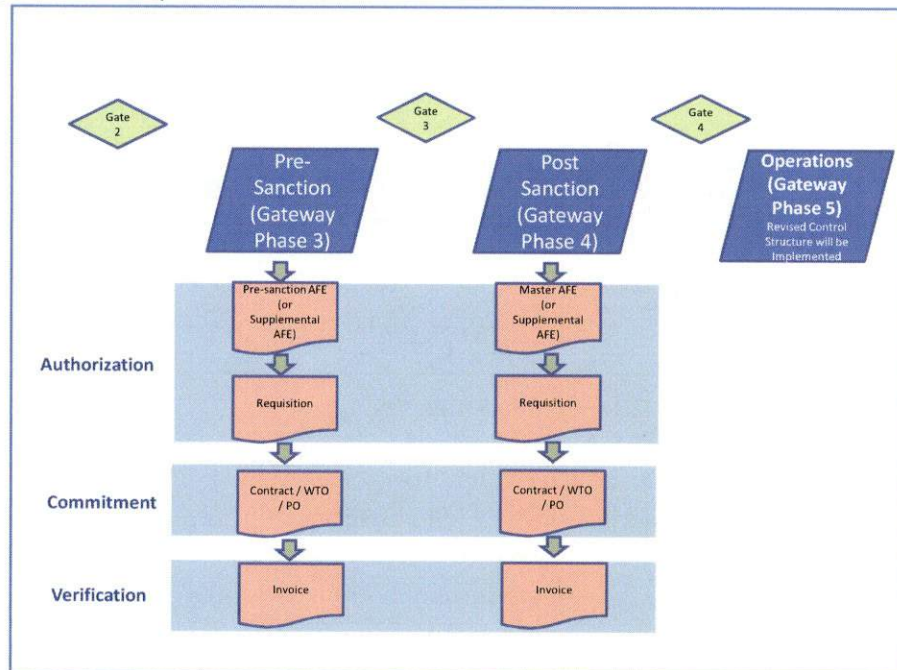
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8.0 Expenditure Control Process

8.1 Overview

Expenditure control is exercised in three distinct forms, namely Authorization, Commitment and Verification. An overview of the expenditure control structure is contained in Figure 1.0.

Figure 1.0 – Expenditure Control Structure



Authorization begins with the approval by the Board of Directors of either a Pre-Sanction AFE, Master AFE or Supplemental AFE for the LCP Company. Subsequent changes are governed by procedures inherent in the Project Change Management Plan. Further authorizations of greater specificity and defined scope under an approved AFE are documented by way of an approved Requisition. Execution of Financial Commitments must be preceded by an approved Requisition and are represented by the execution of various commercial documents such as a WTO, PAA, PO or Contract. Verification takes place upon receipt of a third party invoice.

8.2 Authorization Authority

Authorization is a broad grant of permission to carry a proposal through to completion according to certain specifications and expectations. It does not represent a Financial Commitment or Contract to another party, however without it, such a commitment cannot be entered into by a Budget Holder.

AFE's shall be prepared following Decision Gate 2 to secure approval to transition the Project to Gateway Phase 3 (**Pre-Sanction AFE**) or Gateway Phase 4 (**Master AFE**), as applicable.

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An AFE will include in its scope all activities associated with that AFE. Activities pertaining to planning, environmental approvals, construction management and execution will be under the stewardship of the Project Director. Activities pertaining to debt and equity financing and Project related corporate commercial contracts will be under the stewardship of the General Manager Finance.

The Pre-Sanction and Master AFE's are the means by which funding for a Project Component as detailed in the Original Control Budget, or Current Control Budget as applicable, is approved and released to the Project. No Budget funds may be allocated to a Budget Holder for expenditure authorization unless contained within the scope of an approved AFE.

All AFE's must be jointly endorsed by:

- a. General Manager Finance;
- b. Executive Vice-President - Power Development and Project Director – Generation for Power Development related AFE's;
- c. Executive Vice-President - Power Supply and Project Director – Transmission for Power Supply related AFE's;
- d. Executive Vice President Finance and CFO; and
- e. President & CEO

before being presented to the Board of Directors for approval. In cases where the Project Component is being developed in conjunction with a co-venturer, the approval of that co-venturer will also be required. AFE's will include Contingency which will be managed by the Project Director – Generation, Project Director – Transmission or General Manager Finance depending on approved AFE scope.

Unanticipated expenditures that are associated with a Project Change as defined in the Project Change Management Plan, will be handled in accordance with the procedure contained in that Plan. A request to the respective Project Director for an allocation of Contingency should be made where there is a requirement for an unanticipated expenditure that requires drawdown of the Contingency and does not result in an increase in the OCB/CCB. Supplemental AFE's are required in instances where the Management of Change process identifies the need for an increase in the approved AFE.

Further authorizations of greater specificity and defined scope under an AFE are documented by way of an approved Requisition. Unless otherwise instructed, once the authorization is recorded, the authorized person(s) may proceed with Financial Commitments without further action by, or notification to the reviewing authority.

All Requisitions must be verified by Project Controls before being approved. This is to confirm that the activity covered under the Requisition is planned/budgeted and to apply the applicable cost coding.

All Requisitions require the approval of a Budget Holder having Responsibility for the work associated with that Requisition and having the necessary AAL. All Requisitions approved by Budget Holders must pertain to goods and/or services covered in their respective areas of Budget Responsibility. For Financial Authorizations in excess of a Budget Holder's AAL, the Budget Holder is required to verify,

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review and approve the Requisitions prior to forwarding them on and receiving the final approval from the individual with the necessary AAL.

Contingency will be included as a separate line item on each AFE. Contingency is administered in accordance with the Management of Change process.

8.3 Commitment Authority

For all goods or services to be acquired by the LCP, a Financial Commitment via a commercial Contract or Purchase Order between an LCP company and the supplier or service provider is required. The raising of Financial Commitments creates a financial obligation on an LCP Company and must be supported by a properly approved Requisition.

The terms and conditions, scope, price and other relevant matters are recorded formally by Contracts, PO's, WTO's, PAA's, Change Orders, or amendments. Commitment Authority is delegated to and managed by Supply Chain Manager and can be further delegated to members of the Supply Chain team as it pertains to their respective areas of Responsibility.

Execution of Financial Commitments must be preceded by an approved Requisition, along with completion of (and compliance with) business processes and controls outlined in:

- a) Procurement Management Plan
- b) Contract Due Diligence Procedure
- c) Financial Authority Procedure

All Financial Commitments are executed by both the LCP Supply Chain Manager and the LCP Budget Holder responsible for the work scope and budget covered by the Financial Commitment. The Supply Chain Manager and Budget Holders can delegate Commitment Authority in accordance with this procedure.

A noted exception is the Purchasing Card which is used for the purchase of general sundries and consumables with a value less than \$3,000 (as may be revised from time to time with the approval of the General Manager Finance). The Purchasing Card can be used for costs in excess of \$3,000 for costs associated with business travel (as may be revised from time to time with the approval of the General Manager Finance). Approved Travel authorizations, are required for all business travel prior to the scheduling of travel (refer Travel Procedure, document # LCP-PT-MD-0000-HR-SD-0001-01).

8.4 Field Level Construction Authority

Application of Field Level Construction Authority is restricted to the Field Work Order and is subject to all of the following conditions at the time the authority is exercised:

- a) This authority is delegated to personnel directing work at LCP construction sites, such as Construction Managers and/or Site Construction Managers and is capped at \$25,000 (as may be revised from time to time with the approval of the General Manager Finance);

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- b) Restricted to:
- i. Muskrat Falls construction sites;
 - ii. Labrador-Island Link Transmission Link construction sites; or
 - iii. Labrador Transmission Assets construction sites.
- c) The Contract Administrator is responsible for close commercial coordination and daily tracking of all changes that have or will impact changes to the Financial Commitment and to ensure that the aggregate value of those changes plus the original value of the Financial Commitment is not greater than the approved Requisition value applicable to that Financial Commitment.

8.5 Verification Authority

Goods and services rendered in connection with a Financial Commitment will be invoiced to an LCP Company by the provider. Financial verification procedures associated with an invoice are to be directed and/or performed by Finance, with the Budget Holder ensuring the successful completion of technical verification.

Verification of invoices by Finance confirms that the Budget Holder, or individual with the appropriate AAL, has verified and signed off on the charge and that the invoice is compliant with the related Financial Commitment document. Technical verification procedures by the Budget Holder include verification of quantities, quality and overall work progress or milestone achievement presented on Payment Certificates or otherwise. Budget Holders cannot approve invoices (in the aggregate) for a value greater than the related Financial Commitment value.

8.6 Administrative Authority

The authority structure outlined above focuses on the control and connectivity of the issuance of a Requisition (Authorization Authority), the issuance of a contractual document (Commitment Authority) and the processing and payment of an invoice (Verification Authority) associated with the supply of goods and services.

Administrative authority could be either financial or non-financial in nature and doesn't fit reasonably within that structure. It covers the assignment of authorities to appropriate personnel to ensure effective control and efficiency in the execution of day to day administrative activities of the LCP.

Administrative authority deals with matters such as, and without limitation, timesheet approval, travel authorizations, expense claims, miscellaneous minor purchases, role descriptions and procedures.

As the need arises, development and assignment of Administration Authority matrices will be co-ordinated by the Project Controller in conjunction with the project management of the relevant areas where that authority will be assigned. The Project Controller will be responsible for ensuring that application of Administrative Authority does not conflict with the other authorities outlined in this procedure.

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9.0 Delegation of Authority**9.1 Overview**

Delegated authority should be commensurate with normal day-to-day activities associated with responsibilities of the position. The Project Controller shall have primary Responsibility for maintaining an up to date Approval Authority Limits Matrix and a record of the effective dates of all changes to the Approval Authority Limits Matrices. The Matrices will include only details of all permanent delegations of authority.

9.2 Permanent Delegation of Authority

The President and CEO Authority delegation of authority (Document# LCP-PT-MD-0000-FI-DA-0012-01) outlines the delegation of authority from the Board of Directors to the President & CEO and from the CEO to his direct reports associated with the Project. Where the business requirement exists to permanently delegate authority to a position to enable the incumbent to fulfill its Responsibilities, authority can be delegated by the manager of that position, provided that manager has been delegated authority, in consultation with the Project Controller and in accordance with this procedure.

With the exception of the delegation of Contingency and the delegation of Field Level Construction Authority, permanent delegation shall not be greater than 75% of the authority of the delegator.

Supply Chain Manager's delegation of Commitment Authority shall be completed in consultation with the Project Controller. Details of all permanent delegations of Authority will be maintained and regularly published by the Project Controller.

9.3 Temporary Delegation of Authority

Temporary delegation shall follow similar guidelines as those for permanent delegation, except that it shall not be longer than one month in duration. Where short term business demands arise that may require an extended period of assignment of temporary delegation beyond the one month period, a longer period of temporary delegation may be granted, subject to approval by the General Manager Finance.

Temporary delegation can be assigned up to 100% of the authority of the delegator. Details of authority delegation shall be communicated via documented notification to the Project Controller. This notification shall include (1) the delegating and delegated parties, (2) the start and end dates for the temporary delegation and (3) the authority delegated (Authorization, Commitment, Field Level Construction Authority and/or Verification).

10.0 Approval Authority Limits Matrix

The Approval Authority Limits Matrix (Appendix A.1) outlines the assigned limits of authority, both before and after Project Sanction, associated with Authorization, Commitment, Field Level Construction Authority and Verification. The "Ref #" column is associated with the following references and explanations of the application of authority for each item:

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- A1 Pre-Sanction AFE** – A Pre-Sanction AFE is primarily used to cover expenditures associated with the planned work program for Gateway Phase 3 of a particular Project Component, whether occurring within a single year, or spanning multiple calendar years.

The Pre-Sanction AFE will include a description of the type, purpose and location of the proposed work program for the Project Component up to Decision Gate 3, together with all reasonable particulars and the estimated costs of completion of such work program. It will also include all incurred costs to the date of Pre-Sanction AFE submission.

Approval of the Pre-Sanction AFE is exclusive to the Board of Directors and such approval will signify authority to the PMT to proceed with the execution of Phase 3 of the Project Component as defined in the Gateway Process and to make any Financial Commitments necessary to progress the work program within the parameters of the approved Pre-Sanction AFE and related Requisitions; all subject to the procedures outlined herein.

Pre-Sanction AFE's are also used to authorize the expenditures associated with work activity leading up to Decision Gate 2 for a Project Component, but only as contemplated in a capital budget that has been approved by the President and Chief Executive Officer and the Board of Directors. To the extent that such budgets have been formulated on the basis of a current cost estimate prepared in accordance with the Project Controls Management Plan, then the related Pre-Sanction AFE may span more than one year.

In the event that, during the pre-sanction phase, it is required to commit to an expenditure for a long-lead procurement item, Gatekeeper approval of such commitments will be required under a separate Pre-Sanction AFE. In these instances, the AFE total should encompass the extent of the Financial Commitment, giving consideration to possible cancellation of the order in the event that Sanction is not achieved.

- A2 Master AFE** – The Master AFE can cover multiple years of expenditure pertaining to activities during Phase 4 as defined in the Gateway Process. A Master AFE is required for each Project Component. The Master AFE will include a description of the type, purpose and location of the proposed work program for Gateway Phase 4, together with all reasonable particulars and the estimated costs of completion of such work program associated with the Project Component.

Approval of the Master AFE is exclusive to the Board of Directors and such approval will signify authority to the PMT to proceed with the execution of Gateway Phase 4 of the Project Component and to make any Financial Commitments necessary to progress the work program within the parameters of the approved Master AFE and related Requisitions; all subject to the procedures outlined herein.

- A3 Supplemental AFE** – If at any time the Management of Change process identifies that a cost overrun in any Pre-Sanction AFE or Master AFE is likely to occur, or a situation where there has been a change in scope that is outside the scope of the most recently approved AFE, or outside the Project Component

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boundaries and not covered under Contingency, a Supplemental AFE will be required to authorize the release of any additional funds.

- A4 Requisition** - Authorization to commit any funds approved under an existing AFE requires approval of a Requisition by a Budget Holder. An approved Requisition provides the authorization to undertake a specific scope of work. A Requisition and approval thereof will not be required in order to commit funds in respect to debt interest as outlined under the scope of an approved AFE. As Budget Holder for interest costs during construction, the General Manager Finance will be responsible for the monitoring and stewardship of budgeted funds for this cost category.

Requisitions are initiated by the Budget Holder requesting the goods and services. They are forwarded to Project Controls to ensure that the requested funds are available, the Requisition contains the correct cost coding and to ensure the schedule and cost outlined in the Requisition are covered in the approved AFE. For Requisitions in excess of a Budget Holder's approval limits, the affected Budget Holder is required to verify, review and approve the Requisition prior to forwarding it on to secure approval from the Responsible individual with the required AAL. LCP personnel with Authorization authority are accountable for the expenditures associated with Requisitions they approve.

All Requisitions must fall within the scope and value outlined in the approved AFE. The cumulative value of those Requisitions cannot exceed the value of an approved AFE. If this situation arises, a Supplemental AFE will be required. Any goods and services, not covered in the approved AFE that are required to progress the Project will be processed through the Management of Change process.

Each Requisition shall include the following:

- Description of the scope of work or service
- Estimated value of the service or scope of work
- Applicable coding for the costs
- Contracting strategy and execution plan, when warranted

Once approved, the Requisition will reflect the total value of goods and/or services that can be committed without seeking further financial approval in accordance with this procedure. When there is a change in the scope, a revision or change to the Requisition is required prior to the issue of a Change Order to the Contract/PO that would result in the Commitment value exceeding the approved Requisition value. Changes and adjustments to the value of the Requisition must be approved in accordance with the AAL Matrices, based on the cumulative value of the revised Requisition.

- C1 Commitment Authority** - Execution of Financial Commitments must be preceded by an approved Requisition, along with completion of (and compliance with) business processes and controls outlined in:

- a) Procurement Management Plan

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- b) Contract Due Diligence Procedure
- c) Financial Authority Procedure

All Financial Commitments are executed by the Supply Chain Manager and Budget Holder responsible for the work scope and budget covered by the Financial Commitment, or those delegated in accordance with this procedure.

Supply Chain Management processes include, without limitation, adherence to the following controls:

C1.1 Expressions of Interest – An EOI is initiated in those instances where there is an anticipated requirement for the supply of certain goods and/or services. While there is no financial value or commitment associated with the EOI process a certain level of due diligence should be applied. In order to activate the EOI process the interested parties, in conjunction with SCM, will develop an expression of interest package which will contain (i) the anticipated scope of work, (ii) the proposed questionnaire and (iii) the evaluation details. The EOI package will require approval by the Budget Holder who has the Responsibility for the anticipated work.

EOI recommendations, resulting from EOI evaluations, will be signed by the evaluation team and presented to the Budget Holder, who has the Responsibility for the anticipated work scope, for approval of the prequalified vendors.

C1.2 Bid Process – The bid process is initiated subsequent to the completion of the EOI process. At this point there is a conscious decision to proceed with the award of a Contract/PO for the provision of goods and/or services. Approvals are required at certain points through the bid process from the Budget Holder of the work scope associated with that process. These processes and controls are managed by Supply Chain and are outlined in Procurement Management Plan, LCP-PT-MD-0000-SC-PL-0001-01.

C1.3 Award Recommendation – This is a detailed and documented evaluation and recommendation from the evaluation team supporting their recommendation to award to a preferred bidder. A Requisition reflecting the estimated value of the work, accompanied by the Award Recommendation and evaluation package, must be approved in accordance with the AAL Matrix prior to award of the work.

C1.4 Single Source – In those instances where a request is made to single source the supply of goods and/or services, the Budget Holder must complete a Single Source Justification form, along with justification for replacing the competitive bid process with a single source.

Single Source Justifications should be approved by the Budget Holder who has the Responsibility for the work. If the financial value is greater than the AAL of the Budget Holder, the Budget Holder is required to verify, review and approve the Single Source request prior to forwarding it on to secure approval from the individual possessing the required AAL level.

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In addition, Single Source Justifications will require approval from the:

- a) Supply Chain Manager and, subject to the work scope, the Project Director – Generation or Project Director – Transmission, as it pertains to development, construction, testing and commissioning of a Project Component; or
- b) Supply Chain Manager and the EVP Finance & CFO as it pertains to debt and equity financing or Project related corporate commercial contracts.

C1.5 Change Order – A Change Order is an increase or decrease in the quantity of work scope, change in the character or quality of any part of the work scope, including changes in the delivery schedule or changes in specifications. Changes of this nature will be processed through the Management of Change process.

A Change Order cannot result in the cumulative value of the Financial Commitment to be greater than the approved value of the associated Requisition. If that situation arises, a revised Requisition will have to be prepared and approved before the Change Order can be approved and issued. In these instances, the AAL Authority limits will be applied based on the cumulative value of the revised Requisition.

For those instances where the proposed Change Order does not result in the cumulative value of the Financial Commitment becoming greater than the approved value of the associated Requisition, approval of the Change Order will be in accordance with the Commitment financial limits outlined in the Approval Authority Limits Matrices.

C1.6 Master Service Agreement – Master Service Agreements are used to facilitate the administration of varying and distinct scopes of work under consistent terms and conditions (such as provision of technical studies, provision of legal or personnel services, helicopter usage). These agreements are structured and negotiated by SCM to facilitate the periodic draw on distinct scopes of work and/or personnel. A Requisition of zero value is required to initiate the MSA.

A Master Service Agreement does not create a Financial Commitment. A Requisition, with a specified scope and value, is required before Financial Commitments for particular work scopes can be initiated under the MSA. Financial Commitments under that Requisition are documented by way of a PO or WTO (PAA for the EPCM Contract) which serve as a commercial drawdown on the Master Service Agreement.

C1.7 Work Task Order – The WTO is a commercial document, which is used to contract services under a Master Service Agreement and provides an instruction to a contractor to execute a scope of work. The scope of work must be consistent with that contemplated in the Master Service Agreement.

The WTO, along with the attachments, describes the work scope, resources, hours, schedule, reporting requirements, costs, deliverables and desired outcome of the work scope.

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The aggregate value of a WTO cannot exceed the approved Requisition value associated with that WTO. If that situation arises, approval is required from the AAL with sufficient authority to approve the revised aggregate Requisition value, in accordance with this procedure before any other work can continue under that WTO.

For the EPCM Contract the WTO is replaced with a Project Assignment Authorization (PAA) to draw on resources under that Contract.

- C1.8 Contingency** – The approved Master AFE's contain an element of contingency. Unanticipated expenditures that are associated with a Project Change, as defined in the Project Change Management Plan, will be handled in accordance with the procedure contained in that Plan.

A request to the Project Director – Generation or Project Director – Transmission, as the case may be, for an allocation of Contingency should be made where there is a requirement for an unanticipated expenditure that requires drawdown of the Contingency and does not result in an increase in the OCB/CCB.

- C2 Purchasing Card** - The purchasing card is issued to specific individuals to facilitate purchase of general sundries and consumables with a value less than \$3,000 (as may be revised from time to time with the approval of the General Manager Finance). In the case of business travel (e.g. airfares) the value can be greater than \$3,000 (as may be revised from time to time with the approval of the General Manager Finance). Approved Travel authorizations are required for all business travel prior to the scheduling of travel (refer Standard for Business Travel - LCP-PT-MD-0000-HR-SD-0001-01).

- S1 Field Work Order** – The Field Work Order (Document # LCP-PT-MD-0000-SC-FR-0002-01) is intended for use by construction site personnel to provide instructions to a contractor to perform work, not currently covered in the work scope outlined its Contract. Field Level Construction Authority is limited to \$25,000 (as may be revised from time to time with the approval of the General Manager Finance) and its application is restricted to the Field Work Order.

- V1 Invoices** –The Budget Holder is responsible to ensure compliance with processes and controls associated with technical and financial verification of invoices. Budget Holders cannot approve invoices (in the aggregate) for a value greater than the related Financial Commitment.

11.0 Emergency Expenditures

In the case of emergencies, expenditures may be incurred in the absence of an approved Requisition or Financial Commitment. In emergencies, this procedure may be dispensed with if immediate action is believed to be necessary to:

- Protect against or rectify a situation dangerous to health or life;

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- Prevent unwarranted delay in construction; or
- Provide for any other unforeseen situation to protect the interest of the LCP.

As soon as possible after such emergency action has been taken, individuals responsible for generating emergency expenditures are required to document the nature of these expenditures, including a detailed explanation for the expenditures incurred and details of the expenditure value. This document will be logged by the Project Controller and referred to the attention of the General Manager Finance.