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Subject: Fw: LCP Process & Controls Presentation
Date: Friday, January 24, 2014 4:43:12 PM
Attachments: [.png](#)
[LCP Process and Control Presentation 2014-01.pdf](#)

Hi Folks

Thanks again for your time today. As discussed, please find attached the presentation we reviewed. Have a good weekend.

Regards

Jim



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You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?

----- Forwarded by James Meaney/NLHydro on 01/24/2014 04:41 PM -----

From: Gerald Cahill/NLHydro
To: James Meaney/NLHydro@NLHYDRO
Date: 01/24/2014 04:36 PM
Subject: PResentation

To distribute at your discretion



LCP Process and Control Presentation 2014-01.pdf

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You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?

Lower Churchill Project Process & Controls Overview

January 24, 2014

Boundless Energy



Confidential and Commercially Sensitive

Presentation Outline

1. Core Values
2. Safety Moment
3. Purpose
4. Project Controls
5. Capital Expenditure Authorization
6. Supply Chain Controls
7. Invoice Processing & Control
8. Internal Audit Framework
9. External Auditors

Sharing our ideas in an open and supportive manner to achieve excellence.

Teamwork

Open Communication

Fostering an environment where information moves freely in a timely manner.

Honesty and Trust

Being sincere in everything we say and do.

Safety

Relentless commitment to protecting ourselves, our colleagues and our community.

Respect and Dignity

Appreciating the individuality of others by our words and actions.

Leadership

Empowering individuals to help, guide and inspire others

Accountability

Holding ourselves responsible for our actions and performance.

Take a
MOMENT
for Safety

The Battery Controlled

There's a little-known risk to small children.

Coin lithium button batteries can cause severe injuries when swallowed.

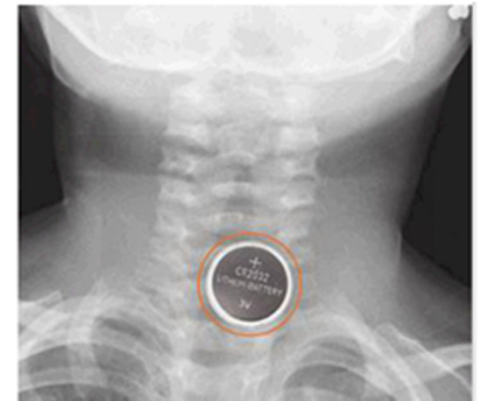
Electronic devices are a part of daily life. And they're getting smaller, slimmer and sleeker. But inside the battery compartment of mini remote controls, small calculators, watches, key fobs, flameless candles and other electronics, may be a very powerful coin-sized button battery. When swallowed, these batteries can get stuck in the throat and cause severe burns. Small children often have easy access to these devices, and many parents do not know there is a risk.

Preventing Injuries. Protecting Families.

The Battery Controlled is a partnership to raise awareness about the severity of this issue and share information with parents, caregivers and the medical community. Launched by Energizer and Safe Kids Worldwide, this effort is committed to helping parents prevent children from swallowing coin-sized button batteries.

Is your organization interested in joining The Battery Controlled as a partner?

Learn more and **join our cause**.



http://www.youtube.com/watch?v=f_ahFOv4BMw

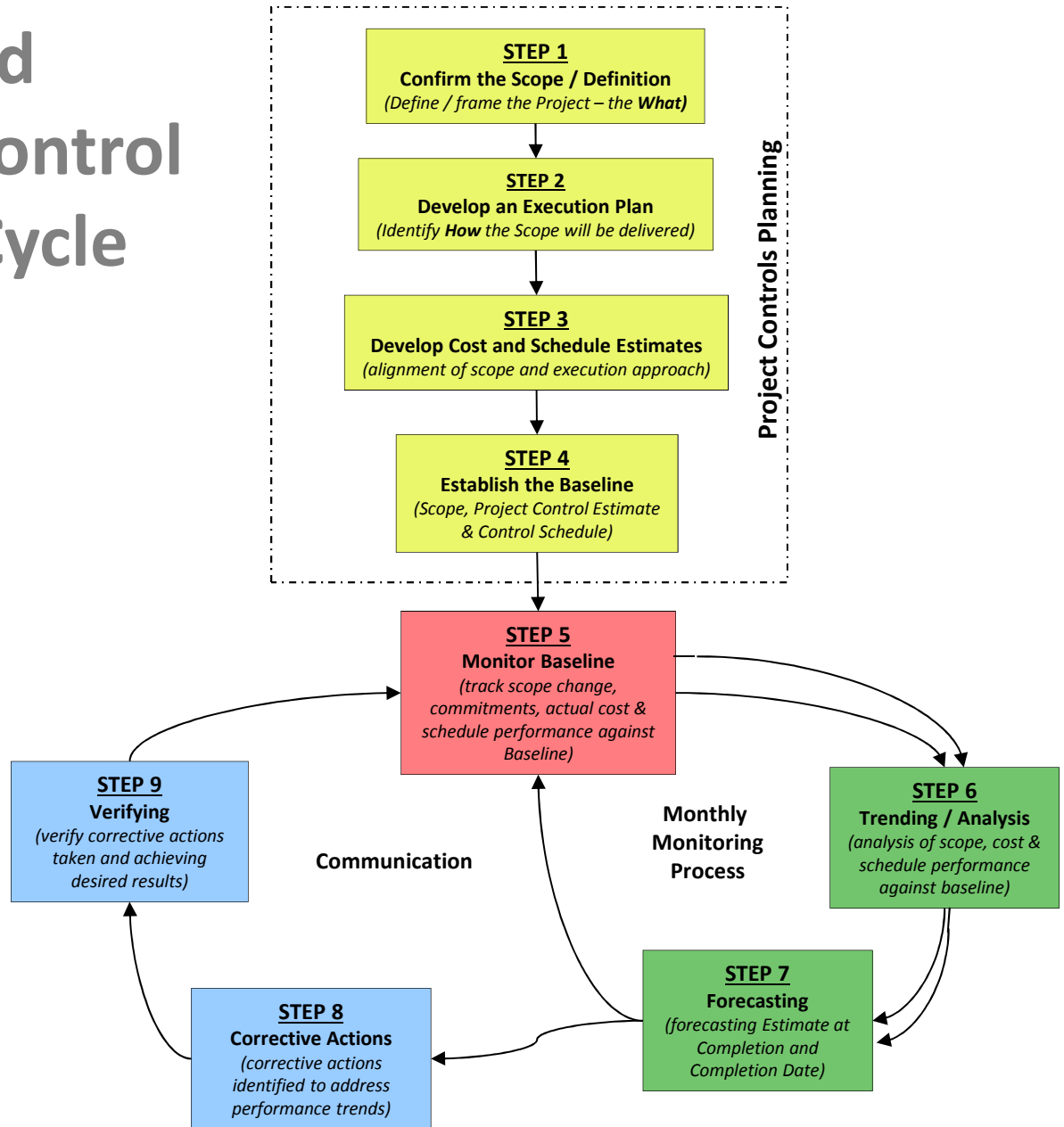
Purpose

Purpose

To provide representatives of the Government of Canada and MWH, the Independent Engineer with an overview of the control procedures and assurance framework established within the Lower Churchill Project (“LCP”) to facilitate the management of expenditures against the Project Budget that was established at Financial Close in November 2013

Project Controls

Integrated Project Control Process Cycle



Maintaining Control During Execution



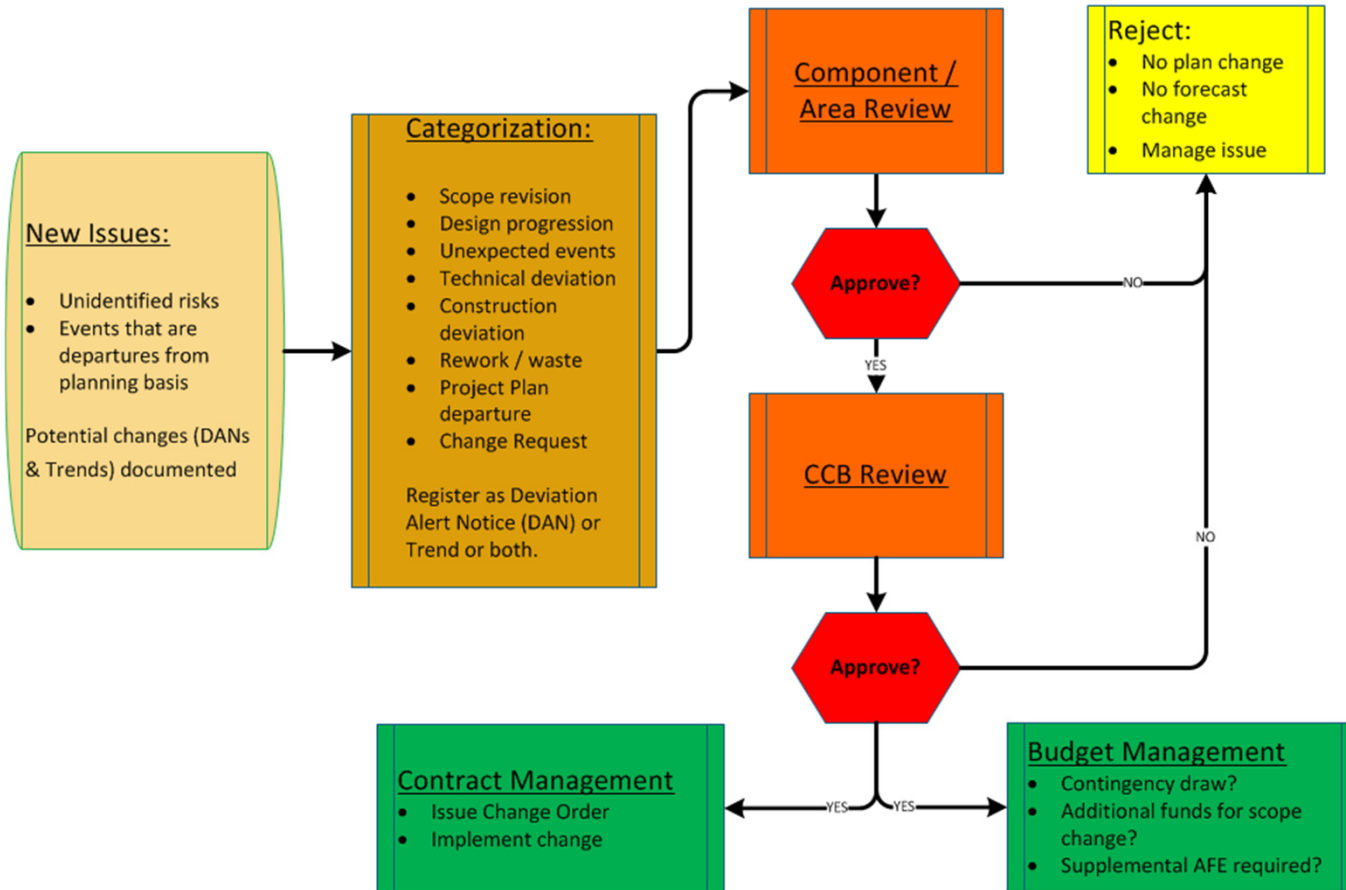
Management of Change

Approach towards Change

- Disciplined, proactive approach to anticipating and managing change is a necessity.
- Early alert of potential change is essential to allow time to work potential change as a team to avoid and/or minimize negative impact on Project.
- Utilization of “Deviation Alert Notice” as a mechanism.
 - Enables linkage with cost trends

LCP Change Management

LCP CHANGE MANAGEMENT



Deviation Alert Notice (DAN)

- The DAN is the mechanism used to facilitate the processing of potential Project deviations.
- The DAN form is intentionally very simple and requires only a basic description of the issue that may result in a deviation from the current Project direction.

DAN – Screen Shot

DAN	PCN X References	SLI References	DAN Actions	DAN Comments
-----	------------------	----------------	-------------	--------------

Close Print

DAN

Save Delete

Title: Deviation Alert Notice ID:

Description:
 New design techniques and advanced software have allowed for accurate design of rigidly framed guyed structures. The transmission industry has started to design guyed "Y" structures as opposed to guyed "V" structures which are typical in the Nalcor Transmission System. Towers with similar weights, lower guy loads and potentially easier erection have been realized by utilizing guyed "Y". SLI are reviewing the opportunity to use the guyed "Y" tower for suspension towers on the 315 KV Hvac lines instead of the guyed "V".

Originator	<input type="text" value="Tucker, Kyle"/>	Submission Date	10-Aug-2011
Package Leader/ Engineer	<input type="text"/>	Status	Cancelled
Area Manager	<input type="text" value="Tucker, Kyle"/>	Estimated Cost	<input type="text" value="\$0.00"/>
Scope/Project Manager	<input type="text" value="Tucker, Kyle"/>	Agreement/CP No	<input type="text"/>
Cost Control Account	<input type="text"/>	Close Out Date	<input type="text" value="07-Nov-2011"/>
		Construction Site Event	<input type="checkbox"/>
		Confidential	<input type="checkbox"/>

Project Change Notice (PCN)

- The PCN is the mechanism used to facilitate the processing of potential changes to established Project baselines.
- The PCN form is a detailed description of the change and requires approval by relevant members of the Change Control Board (CCB)

Questions asked before considering change:

- Is it safe? No - Change
- Are there significant cost savings?
- Does it work? No – Change
- Would there be a major risk reduction?
- Is it consistent with the design basis? No – Change
- Does it meet regulations? No - Change

PCN Requirements

- The PCN is designed to provide a concise summary of the change with respect to:
 - Description / rationale / benefits
 - Impacts / risk assessment
 - Supporting documentation including *Decision Support Package*
 - Actions required to implement
 - Approval and distribution requirements
 - Closeout requirements

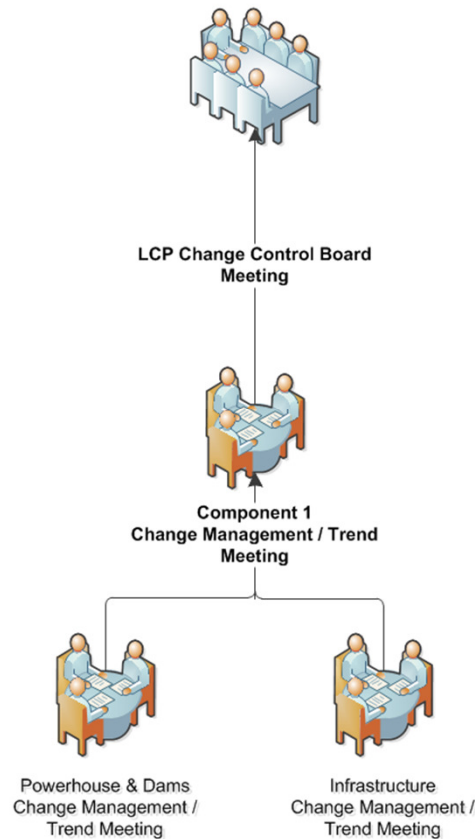
Escalation of Potential Changes

PARTICIPANTS

Project Director
 General PM
 Deputy General PM
 Business Services Manager
 Supply Chain Manager
 T&DI / RFO Manager
 QA Manager
 Marine Crossings PM
 Project Controls Manager
 Component PMs
 Senior Project Planner
 Senior Cost Engineer
 LCP Change Coord.

Project Manager
 Deputy Project Manager
 LCP Change Coord.
 C1 Change / Interface Coord.
 Area Managers

Area Manager
 C3 Change / Interface Coord.
 Package Lead(s) / Engineer(s)
 Discipline Leads
 C1 Cost Engineer



MEETING FOCUS

CHANGE MANAGEMENT:

- Review / challenge new proposed change to validate rationale
- Assess recommendations for proposed change
- Endorse / Reject changes

CHANGE MANAGEMENT:

- Review / challenge new proposed change
- Assess recommendations for proposed change
- Endorse / Reject changes

COST CONTROL:

- Identify and report new potential trends
- Obtain updates on existing potential and verified trends

CHANGE MANAGEMENT:

- Assess identified potential changes / trends
- Reject / mitigate to extent possible

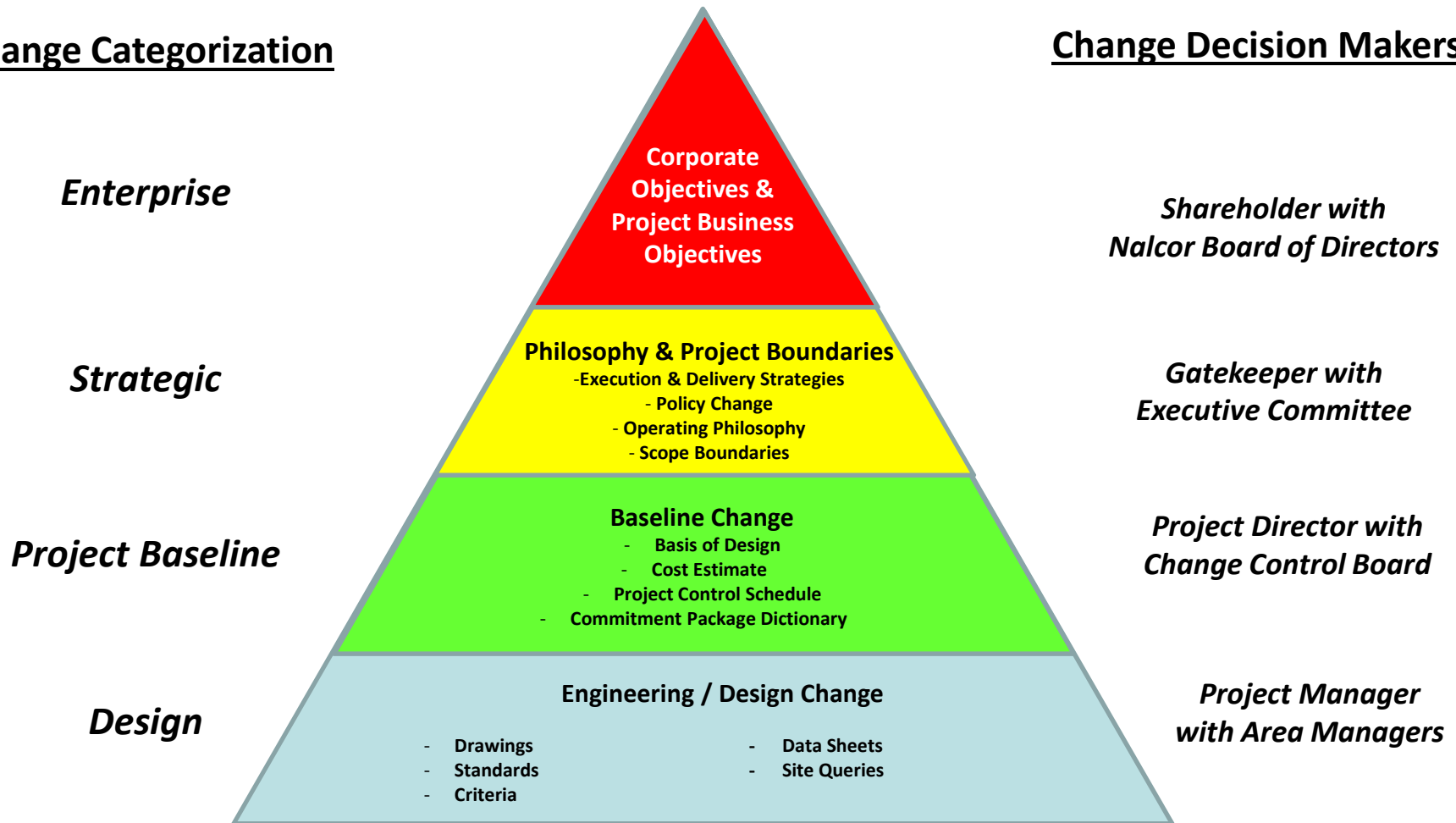
COST CONTROL:

- Identify and report new potential trends
- Obtain updates on existing potential and verified trends

Project Change Approval Hierarchy

Change Categorization

Change Decision Makers



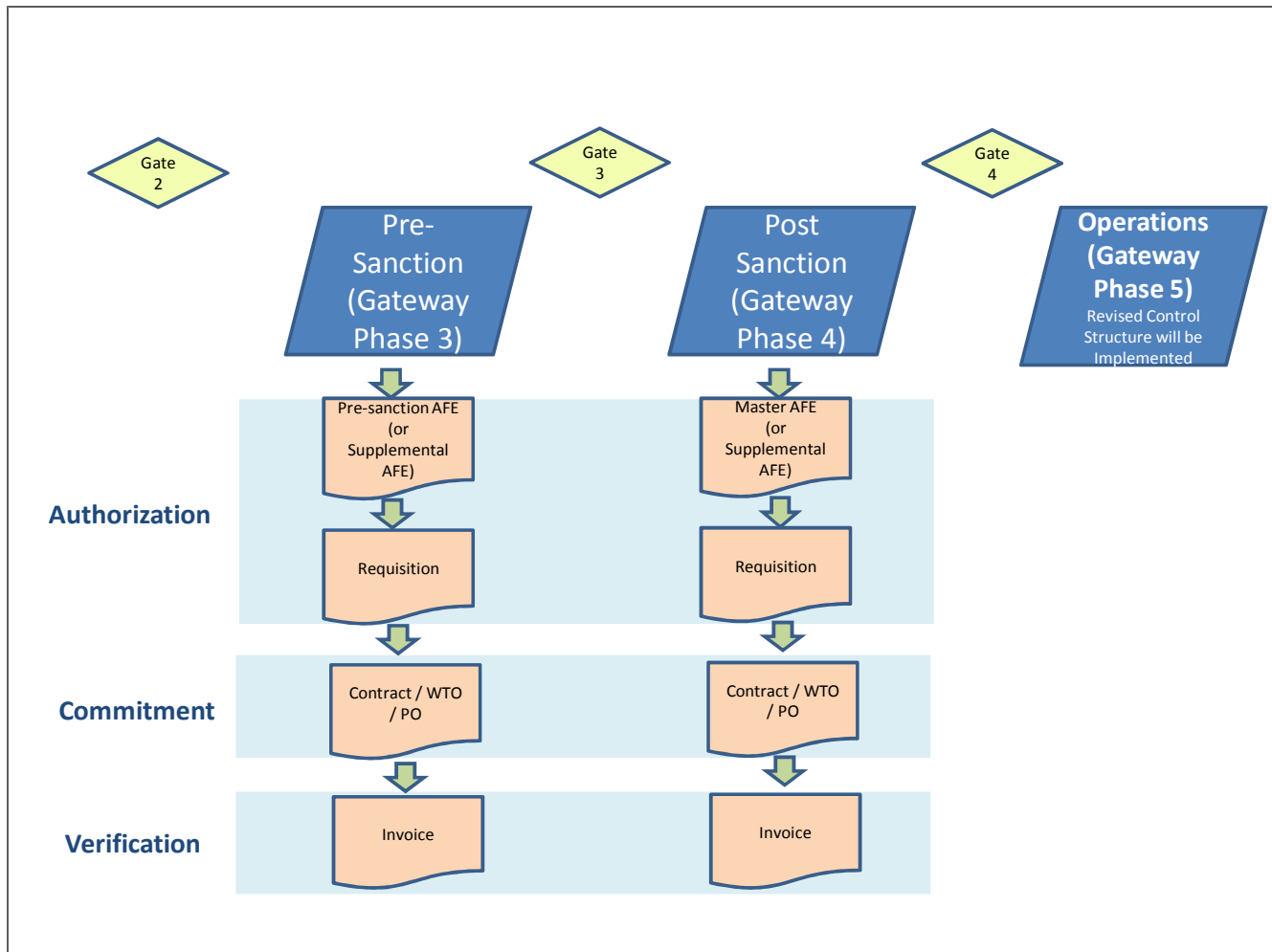
Capital Expenditure Authorization

Principles

- Outline authority limits and controls associated with financial Authorization, Commitment and Verification
- Establish financial authority limits commensurate with the **normal day-to-day activities** associated with responsibilities of the position
- Restrict application of Authorization authority to Budget Holder's work scope, contained within the scope of an approved Master AFE.
- Scopes of work or services will not be segregated (i.e. order splitting) in order to circumvent the approval process and this procedure.
- Align with Supply Change Management processes in achieving effective financial control over authorization of expenditures

Application

Incorporates three (3) levels of authority:



Application

Authorization (Authority to proceed)

- Master AFE approval (or supplemental approvals) - restricted to the Board of Directors
- Requisition approval (up to the Master AFE value) - delegated to the CEO
- CEO delegates an adequate level of authority to Project senior management
- Authorization authority is further delegated to Budget Holders, in accordance with the Capital Expenditure Approval Procedure.

Application

Authorization (Authority to proceed)

Application to the Supply Chain process:

- Award Recommendation (Requisition) is approved by the Budget Holder responsible for the planned work scope and where necessary, the manager with sufficient Authorization authority will approve the award recommendation based on the estimated value of the work
- All single source justifications must be approved by the Budget Holder (and as necessary, the manager with sufficient Authorization authority), Supply Chain Manager and Project Director

Application

Commitment (Commercial Execution)

- Execution of Financial Commitments must be preceded by an approved Requisition, along with completion of (and compliance with) business processes and controls outlined in:
 - Procurement Management Plan
 - Contract Due Diligence Procedure
 - Capital Expenditure Authorization 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.

Application

Verification (Invoice Attest)

- Verification entails both financial and technical verification, along with Budget Holder approval

Financial Verification

Verification that the invoice is properly documented and is in compliance with the related Financial Commitment (contract/PO) and the **appropriate** Budget Holder has approved the invoice.

Technical Verification

Verification of quantities received, quality and overall work progress or milestone achievement.

Budget Holder Approval

- Approved subject to successful completion of Financial and Technical Verification
- Budget Holders cannot approve invoices that will result in the cumulative value of invoices for the Financial Commitment to be greater than the approved Requisition associated with the Financial Commitment.

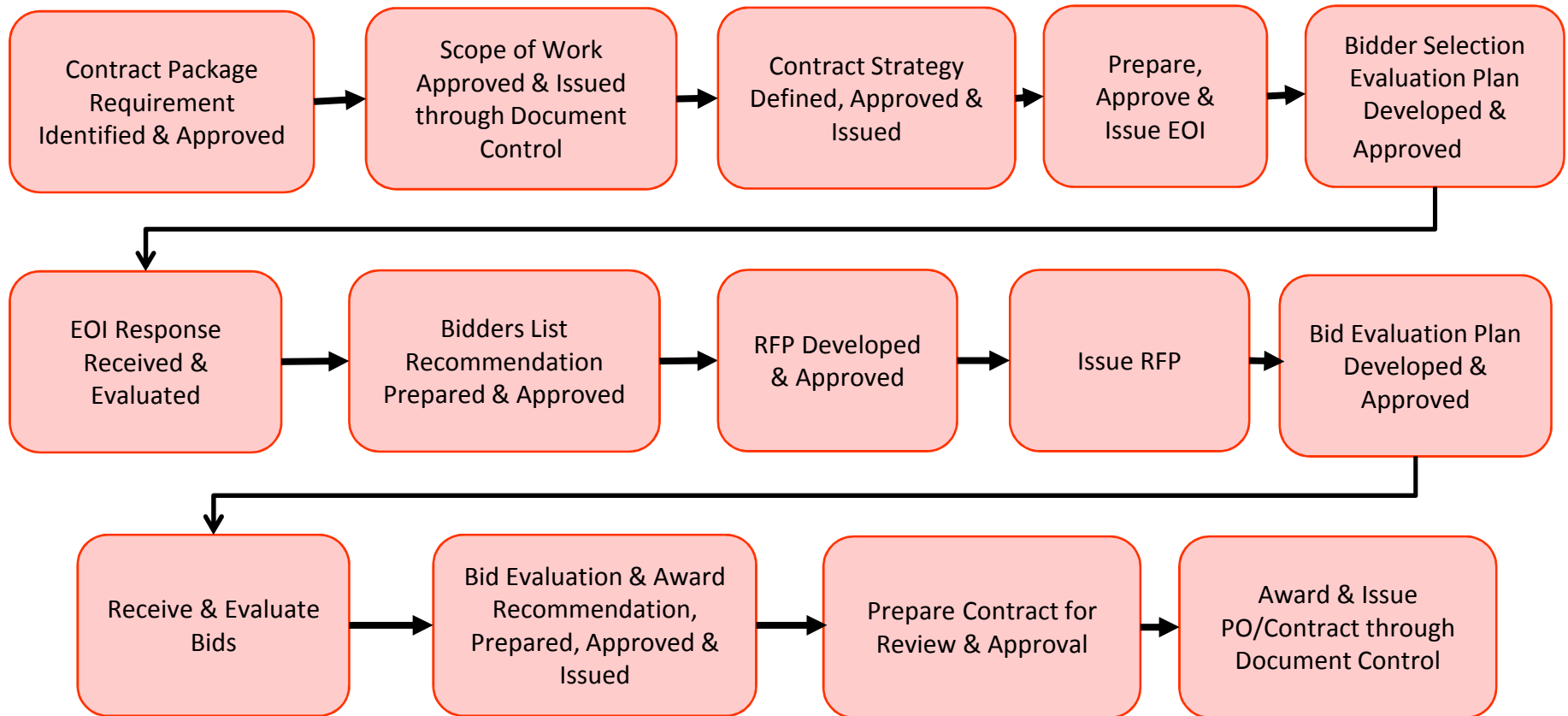
CEO AAL Matrix

LOWER CHURCHILL PROJECT - APPROVAL AUTHORITY LIMITS MATRIX POST-SANCTION (\$,000 CDN)

	Ref. #	Board of Directors	President & CEO	VP LCP & VP Finance & CFO (Note 4)	VP LCP	VP Finance & CFO	Project Director
AUTHORIZATION AUTHORITY							
Pre-Sanction AFE	A1	Unlimited					
Master AFE	A2	Unlimited					
Supplemental AFE	A3	Unlimited					
Requisition in respect of:	A4						
- Award Recommendation (Contract/PO)	C1.3		AFE Total	100,000	50,000	10,000	35,000
- Variation (Note 1)	C1.5		AFE Total	100,000	50,000	10,000	35,000
- Single Source (Note 2)	C1.4		AFE Total	-	25,000	7,500	15,000
- Work Task Orders (Note 3)	C1.6, C1.7		AFE Total	-	10,000	5,000	7,500
- Personnel Authorization Assignment (EPCM Contract)	C1.7		AFE Total	-	10,000	-	7,500
COMMITMENT AUTHORITY							
Contract/PO/WTO/PAA/Variation execution	C1	Execution 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) Capital Expenditure Authorization 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					
Corporate purchase card	C2	Restricted to \$1,000 per transaction by those who have been assigned these cards (travel can be charged to the card without value restriction and subject to an approved travel requisition.)					
VERIFICATION AUTHORITY							
Approval of invoices associated with Financial Commitments	V1	Budget Holder approval: - Subject to acceptable financial and technical verification - Limited to the value of the Financial Commitment					
Note 1: Approval of each Variation will be based on the cumulative value of the Requisition associated with the Financial Commitment subject to Variation.							
Note 2: All Single Source justifications must also be approved by the Project Director and the Supply Chain Manager.							
Note 3: Each Work Task Order must represent a discrete scope of work and be associated with a Master Services Agreement. Level of approval authority for revised Work Task Orders is determined by the cumulative value of the Work Task Order.							
Note 4: Where either an Award Recommendation or Variation resulting in a revised Requisition is valued between \$50,000M and \$100,000M, it will require approval from both the VP LCP and the VP Finance & CFO.							
Note 5: Permanently delegated authority should be commensurate with normal activities associated with responsibilities of the position. Permanent delegation should not be greater than 75% of the authority of the delegator. Temporary delegation can be assigned up to 100% of the authority of the delegator and should not exceed one month in duration.							

Supply Chain Controls

Supply Chain Process



Basis of Contracting and Purchasing

- Full and fair opportunity
- International competitive bidding process
- Adhere to provisions of:
 - Impacts and Benefits Agreement with Labrador Innu
 - NL Benefits Strategy
 - NL/NS Benefits Memorandum of Understanding

Key Control Points

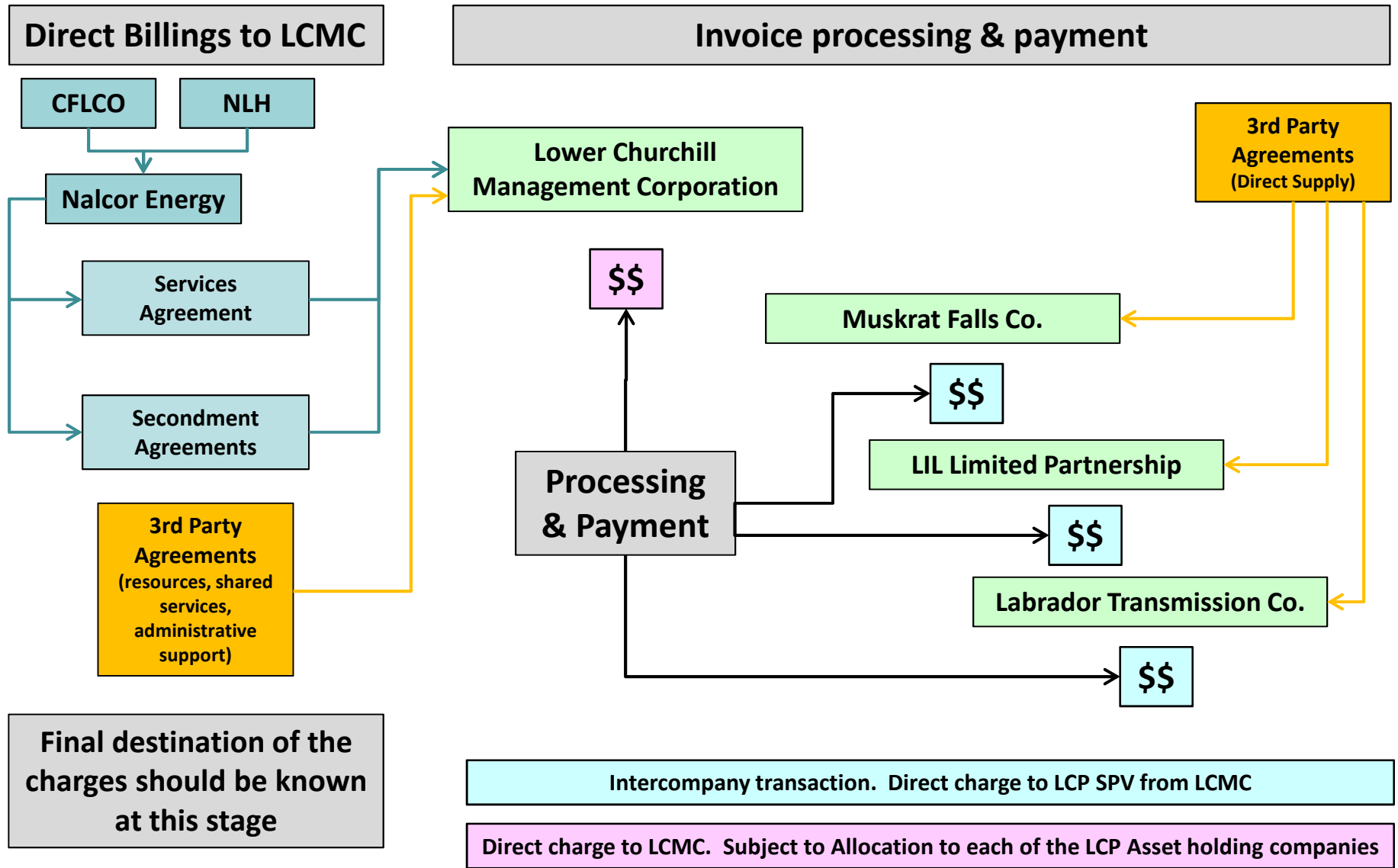
- Bidder Selection Evaluation Plan is developed and approved prior to evaluation of questionnaires
- Bidder List Recommendation prepared and approved prior to RFP being issued
- Bid Evaluation Plan is developed and approved prior to proposals being opened and evaluated
- Contract is prepared, reviewed and approved prior to issue to Contractor

Process Integrity

- Bidders submit commercial and technical proposals separately
- Commercial team evaluates commercial proposal in isolation of other team members (i.e. technical, H&S, QA, benefits, finance, legal etc.)
- Bid commercial documents are secured. Larger packages are evaluated in secure rooms with controlled access
- Due diligence is applied to all contract recommendations with corporate cold eyes review teams engaged per the LCP Approval Matrix for Key Procurement Recommendations

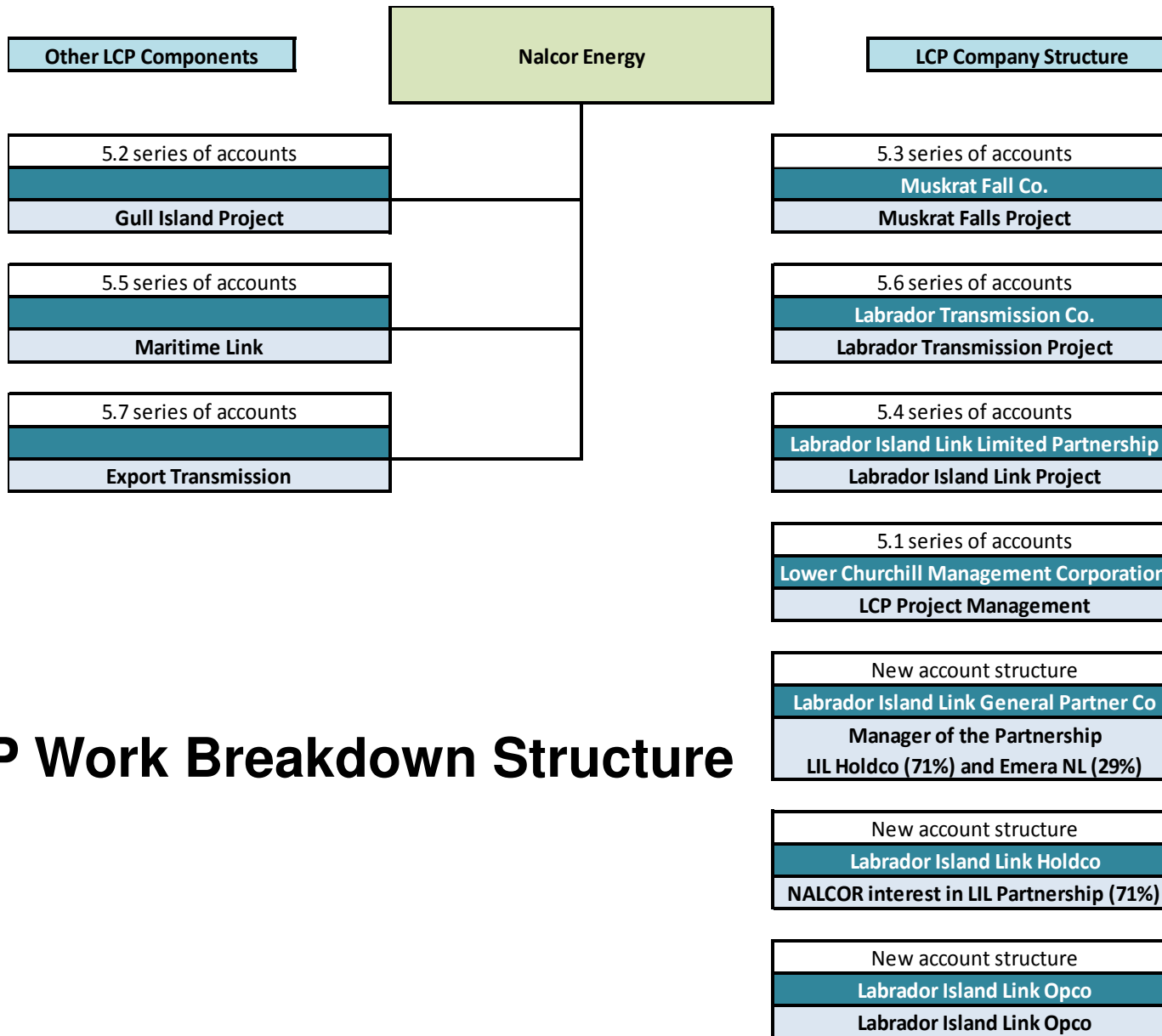
Invoice Processing & Controls

Invoicing Framework



Invoice Process and Control

- All invoices will be paid on time, subject to the contractor submitting a correct (prepared and documented) invoice.
- Invoices go through an extensive attest process comprising both financial and technical verification and are approved for payment by the Budget Holder (e.g. Verification Authority)
 - Detailed Attest procedures have been developed and documented outlining the attest process of Project invoices.
- Processing of invoices is coordinated by Finance & Accounting (F&A)
 - F&A takes ownership from the point that invoices are received until they are paid
 - Invoice status is constantly maintained in a tracking log by F&A
 - All necessary verification steps are completed by F&A or personnel engaged by F&A to participate in the Attest process (e.g. Supply Chain, Area Managers, Project Controls)



LCP Work Breakdown Structure

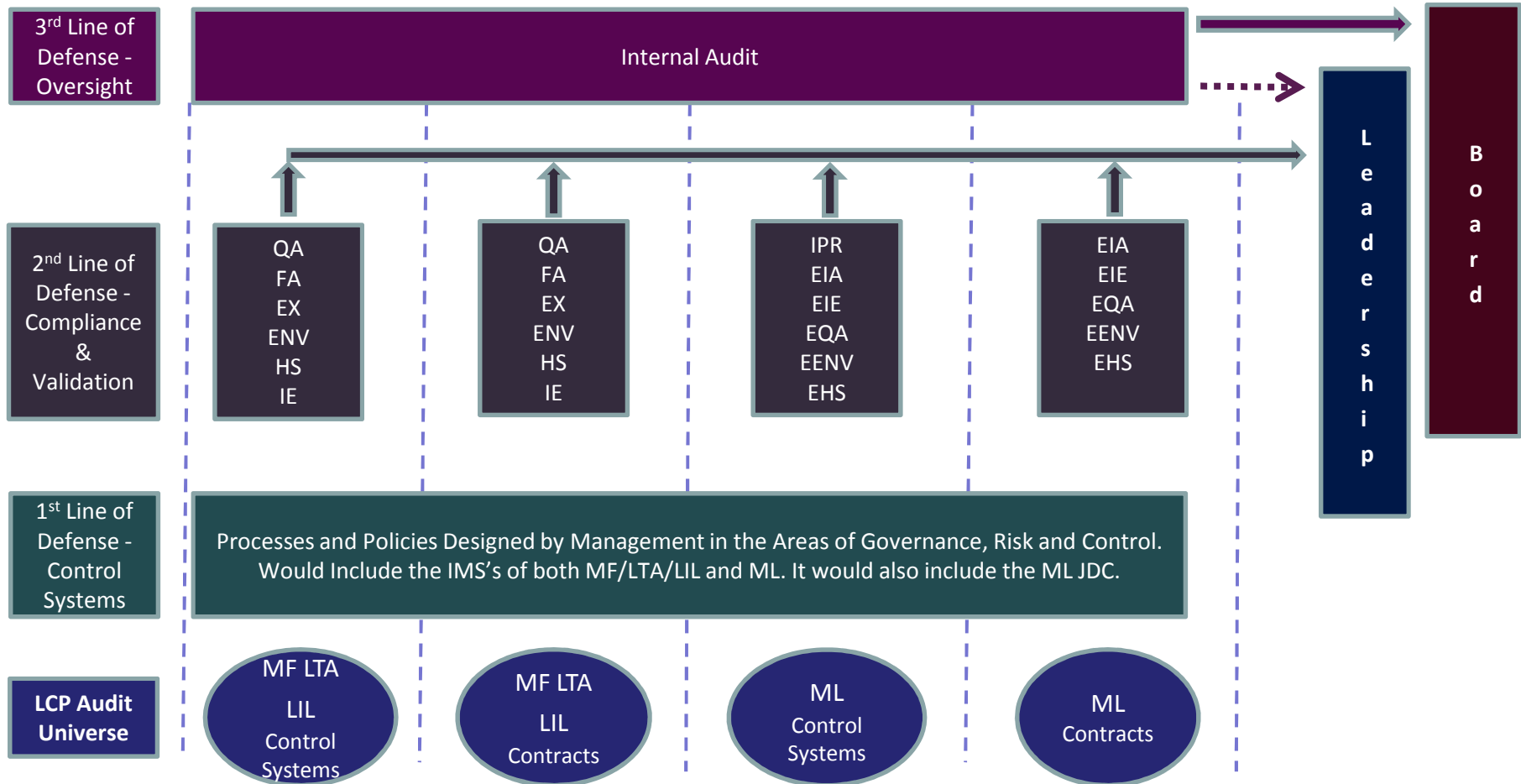
Invoice Verification Plan							
Verifications performed at either the Payment Certificate or Invoice stage			Supply Chain Representative		Lead Cost Controller	Area Manager	
Verifications performed at the Invoice stage		Cost Analyst		Senior Project Accountant			Budget Holder C-AP
Financial, Technical and Contractual Verification							
1	Date stamps invoice for the date invoice is received						
2	Ensure the correct Contract number is evident on invoice						
3	Log invoice in "Tracking Register"						
3	Verify correct vendor name and address on invoice						
4	Verify correct LCP development company evident on invoice						
5	GST/HST numbers present on invoice						
6	GST/HST tax calculations checked/confirmed						
7	Ensure no VAT (value added tax) is included; if identified forward to Senior Project Accountant						
8	NRWT (non-resident withholding tax) calculations performed and checked						
9	Calculation of holdbacks checked/confirmed						
10	Invoice mathematical accuracy verified						
11	Ensure that there is proper documentation attached for all invoiced expenses (receipts, approved travel auths)						
12	If contract is cost reimbursable ensure that input tax credits and fuel tax is being deducted from the invoice at source.						
13	Verify timeframe of services being billed is reasonable and in agreement with the Contract						
14	Ensure rates being charged are in accordance with the Contract						
15	Ensure invoice is original and not already processed						
16	Enter received date in PM+						
17	Import approved Payment Certificate or MRR/OSD into the invoice module						
18	Ensure invoice amounts are applied to correct line items in PM+ and ensure all relevant fields are completed and invoice is flagged as "Pending"						
19	Print and review MRR and, if applicable, OSD report to invoice						
20	Print PAS and attach to invoice						
21	Circulate Invoice for approval						
22	Ensure that there is an approved statutory declaration attached to invoice and reads as per the contract						
23	Review Statutory Declaration for Contractor Representative and Commissioner of Oaths signatures along with any outstanding claims						
24	Review and validate the Payment Certificate and/or supporting documentation are compliant with requirements set out in the Contract						
25	Review and validate progress indicated on the Payment Certificate to Company systems and records						
26	Ensure Contractor has complied with the agreed methodology for progress measurement						
27	Ensure any quality issues related to invoiced items have been considered						
28	Complete final attest process of financial verifications						
Monitoring							
29	Monitor invoice due dates to where the invoices are in relation to verification and payment process						
Approval							
30	Approve invoice package for payment						
Payment							
31	Completes quality review, flag invoice as "Approved" in PM+ and forward invoice to Nalcor for payment. (Refer to LCP-PT-MD-0000-FI-PR-0013-01 Procedure for the Electronic Data Exchange).						
32	Notify Senior Project Accountant once payments are made						
33	Classify invoice as "Posted" in PM+						
	Required						
	If required						

Internal Audit Framework

Key Messages

- Internal Audit has accountability for determining whether the organization's network of risk management, control, and governance processes is adequate and functioning as intended
- A proper assurance framework contemplates multiple layers of control and providers of assurance
- Internal Audit acts as a coordinator to ensure effectiveness of the assurance function and to avoid duplication of effort
- Nalcor's assurance framework is consistent with best practices for ensuring an independent assessment of governance, risk management, and control processes for the Project

LCP Assurance Framework



External Audit

Role of External Audit

- Deloitte is retained as External Auditor ("EA") for all entities within the Nalcor group of companies
- In 2012 / 2013, Management worked extensively with the EA to develop sound financial reporting positions in relation to Nalcor's LCP related arrangements
- The EA designs audit procedures commensurate with the risk level associated with particular areas / functions within the business.
 - It is expected that LCP will remain a significant area of focus for Deloitte throughout the life of the project.

Questions?