

**From:** jamesmeaney@lowerchurchillproject.ca  
**Sent:** Saturday, March 19, 2016 7:25 PM  
**To:** Derrick Sturge  
**Subject:** Re: updated management response

Gilbert just called me.

EY report on ice.

Sent from my iPhone

On Mar 19, 2016, at 5:40 PM, James Meaney  
<[JamesMeaney@lowerchurchillproject.ca](mailto:JamesMeaney@lowerchurchillproject.ca)> wrote:

Not totally surprised. I've gotten the sense the last few days that maybe GNL are starting to see EY in a bit of different light....and when we keep pounding them with feedback from us, Canada and IE, maybe things are starting to resonate....

Sent from my iPhone

On Mar 19, 2016, at 4:10 PM, Derrick Sturge <[DSturge@nalconenergy.com](mailto:DSturge@nalconenergy.com)> wrote:

Ed just called - apparently report not going next week now.

Derrick Sturge

VP, Finance & CFO

Nalcor Energy

Sent from my iPhone

On Mar 19, 2016, at 4:09 PM, James Meaney  
<[JamesMeaney@lowerchurchillproject.ca](mailto:JamesMeaney@lowerchurchillproject.ca)> wrote:

That same risk register reporting actually goes to all 6 LCP subsidiary boards, not just LCMC...so even better!

Sent from my iPhone

On Mar 19, 2016, at 3:52 PM, Jackie Borden <[JackieBorden@nalconenergy.com](mailto:JackieBorden@nalconenergy.com)> wrote:

Hi Brian,

Another aspect of "project governance and reporting" that could be highlighted is the risk register reporting to the LCMC BOD. As LCPs risk mgmt **impact** criteria is driven by **cost, schedule**, quality, environment, safety and reputation, and subsequently reported to the BOD, this shows clear project governance and reporting, specific to cost and schedule.

Thanks

Jackie

	<p>Jackie Borden, CPA, CA, CIA</p> <p>Manager, Internal Audit</p> <p>Nalcor Energy</p> <p>t. 709 737-1201 c. 709 725-0280</p> <p>e. <a href="mailto:JackieBorden@nalcorenergy.com">JackieBorden@nalcorenergy.com</a></p> <p>w. <a href="http://nalcorenergy.com">nalcorenergy.com</a></p>
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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?

James Meaney---03/18/2016 05:26:10 PM---Hi Brian, Just a couple of comments:

From: James Meaney/NLHydro

To: Brian Crawley/NLHydro@NLHydro

Cc: Chris Kieley/NLHydro@NLHYDRO, Deanne Fisher/NLHydro@NLHYDRO, Derrick Sturge/NLHydro@NLHYDRO, Ed Martin/NLHydro@NLHYDRO, Gilbert Bennett/NLHydro@NLHYDRO, Jackie Borden/NLHydro@NLHYDRO, Karen O'Neill/NLHydro@NLHYDRO, Paul Harrington/NLHydro@NLHYDRO

Date: 03/18/2016 05:26 PM

Subject: Re: updated management response

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Hi Brian,

Just a couple of comments:

1. Page 4 (bottom) - I have read this section a couple of times again. Stating, *"In addition, through the provisions of the project financing agreements and the FLG, unconfirmed contingent amounts would require equity pre-funding from the Province."* followed by, *"LCMC believes that these are key factors in determining the level of contingency that should be carried for this project."*, may not leave the right impression with Canada/IE, and in fact, early on EY had expressed a view that that the presence of the pre-funded equity (COREA) requirement

influenced our forecasting. We pushed back hard on that and explained that the COREA is an "output" once the forecast is done, not an "input". For this reason, I think we should switch the order of these 2 sentences around so that the latter is only referring to the points 1 and 2 above, and maybe revise the other one to say, *"In addition, through the provisions of the project financing agreements and the FLG, the inclusion of unconfirmed contingent amounts could unnecessarily require equity pre-funding from the Province."*

2. Page 6 - Revise to, *"....extensive interviews with the Chair of Nalcor Energy's Audit Committee..."* and define "IA" in that paragraph.

Regards,

Jim

**James Meaney**

**General Manager, Finance**

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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?

Brian Crawley---03/18/2016 04:23:33 PM---Pls. find an updated response to EY's interim report. EY included a definition of governance which

From: Brian Crawley/NLHydro

To: Ed Martin/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro, Paul Harrington/NLHydro@NLHydro, Deanne Fisher/NLHydro@NLHYDRO, Karen O'Neill/NLHydro@NLHydro, James Meaney/NLHydro@NLHYDRO, Chris Kieley/NLHydro@NLHYDRO

Cc: Derrick Sturge/NLHydro@NLHydro, Jackie Borden/NLHydro@NLHYDRO

Date: 03/18/2016 04:23 PM

Subject: updated management response

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Pls. find an updated response to EY's interim report. EY included a definition of governance which expands the commentary beyond the board to include a number of other variables, including assurance, structure, people and information. Accordingly, we spoke with Jackie Borden and provided some commentary found in an external quality assessment conducted by The Institute of Internal Auditors. There are also a few comments from the most recent IPA review, which is now public. I don't believe including these comments is overly defensive or confrontational but would welcome the opinions of others. The changes proposed by Gilbert when we met with EY are also included. Everything is noted in track changes.

Thanks

Brian

[attachment "ey management response updated 18 march.docx" deleted by James Meaney/NLHydro]