

From: craighippern@nalcorenergy.com
To: jamesmeaney@nalcorenergy.com
Cc: mbradbury@nalcorenergy.com; auburnwarren@nalcorenergy.com; carlarussell@nalcorenergy.com
Subject: Re: Deck for Minister re Procurement Process and Due Diligence
Date: Friday, April 19, 2013 3:40:15 PM
Attachments: [.png](#)
[SNC Briefing rev5 w mb changes.ppt](#)

Hi Jim,

Regarding LCP due diligence, could you please weigh in on Mark's questions in the email string below.

Thanks,



SNC Briefing rev5 w mb changes.ppt

Craig



Craig H. Hippern, CA, CPA (IL)
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Craig Hippern---04/19/2013 03:38:25 PM---Mark, To address your questions:

From: Craig Hippern/NLHydro
To: Mark Bradbury/NLHydro@NLHydro
Cc: Auburn Warren/NLHydro@NLHYDRO, Carla Russell/NLHydro@NLHYDRO
Date: 04/19/2013 03:38 PM
Subject: Re: Deck for Minister re Procurement Process and Due Diligence

Mark,

To address your questions:

Slide #8 - confirmed, cold eyes review is performed on contracts >\$100 million. There is also a minimum threshold of \$10 million in place for Treasury's creditworthiness review. To expedite the process, the due diligence team has reviewed a number of templates to be used for certain contracts. In the event a contract is going to be awarded where (i) there have been no exceptions to the templates, (ii) insurance provisions have been signed off by Insurance & Risk, and (iii) creditworthiness/performance security has been signed off by Treasury; an email from Supply Chain to the DD team (providing some background on the contract, contractor, planned award date, etc) requesting their sign-off would suffice.

Slide #13 - I too am not sure what the "LCP Approval Matrix for Key Procurement Recommendations" is referring to. Regarding the "Martix"; the LCP due diligence process is following a RACI chart whereby eleven individuals or groups of individuals (project manager, business services manager, supply chain manager, general manager finance LCP, chief risk officer, assistant treasurer, manager investment evaluation, manager financial planning & investment analysis, due diligence team, cold eyes review team and contracts specialist) are assigned roles (responsible, accountable, consult or inform) to the eight steps in the LCP due diligence process (set policies for contract due diligence, contract template development, planning, risk assessment, initial contract prep for inclusion in RFP, contract negotiation, due diligence sign off & cold eyes review). Regarding the "Key Procurement Recommendations", is this capitalized term defined somewhere? If not, we should be clear that CER is performed only on contracts >\$100 million.

Slides # 34 & 35 - Again "Key Procurement Recommendations" is a capitalized term on slide #35 and if it is not defined we should be clear that CER is performed only on contracts >\$100 million. I can confirm that no major issues have come to my attention.

Jim Meaney was heavily involved in recent CER planning for LCP so I will send your questions for his input as well.

Craig



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Auburn Warren---04/19/2013 03:00:04 PM---Please see my comments below in RED... Auburn

From: Auburn Warren/NLHydro

To: Mark Bradbury/CRP/NLHydro@NLHydro

Cc: Craig Hippern/NLHydro@NLHYDRO, Carla Russell/NLHydro@NLHYDRO

Date: 04/19/2013 03:00 PM

Subject: Re: Deck for Minister re Procurement Process and Due Diligence

Please see my comments below in **RED**...

Auburn



Auburn Warren, CA
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Mark Bradbury---04/19/2013 09:24:34 AM---Hi Carla Attached is a deck for the Minister that needs to be finalized today. There are references

From: Mark Bradbury/NLHydro

To: Carla Russell/NLHydro@NLHYDRO

Cc: Auburn Warren/NLHydro@NLHYDRO, Brian Crawley/NLHydro@NLHydro

Date: 04/19/2013 09:24 AM

Subject: Deck for Minister re Procurement Process and Due Diligence

Hi Carla

Attached is a deck for the Minister that needs to be finalized today. There are references in here to Due Diligence/Cold Eyes Review and in particular, due diligence that was done in connection with the SNC contract. I wanted to be sure that we are not saying anything in here that is factually incorrect in that regard. Could you take a quick look and just confirm that for me?

You should pay particular attention to the following slides:

Slide #7 - There is a reference to additional due diligence that was done by Nalcor Corporate on the SNC contract. I am presuming that this is a reference to a Cold Eyes Review. Can you confirm that this was indeed done for that contract? **Confirmed**

Slide #8 - In the context of letting of contracts, there is a reference here to the fact that Nalcor Corporate "maintains a due diligence role". Again I think this is a reference to the Cold Eyes review process. I think we are solid on this, but of course the CER only kicks in if the contract is > \$100 million...is this still the case? **Craig to provide what the CER threshold is - but we have "locked" down the templates as well -**

which I believe are being used for most if not all contracts - Craig may be able to add some flavour to this

Slides #13, 34 and 35: Please confirm that you are comfortable with the wording as it retains to due diligence and cold eyes review. **Looks OK to me but would like Craig to take a look as well --- Carla / Craig on slide 13 there's a reference to "LCP Approval Matrix for Key Procurement Recommendations" -- any idea what this means? Is this the fact that the CER are for key contracts above \$100M? We also refer to "Key Procurement Recommendations" on slide 35... these 2 references seem technical in nature but if it relates to the over \$100M contracts then wording makes sense... if it refers to something else then not sure.**

I realize that this is no longer your area, but with respect to the first bullet and least, I believe you were in that role when the SNC contract was finalized? Thanks.

Mark

[attachment "SNC Briefing rev5 w mb changes.ppt" deleted by Auburn Warren/NLHydro]

Mark Bradbury, F.C.A. (Consultant)

Manager, Internal Audit (Acting)

Ph: 709-737-1253

Fx: 709-737-1972

Nalcor's Procurement and Assurance Processes

April 19, 2013

Boundless Energy



Purpose

- To summarize Nalcor's comprehensive procurement and assurance processes

Presentation Outline

- SNC Lavalin's role in the Lower Churchill Project
- Overview of Nalcor's procurement process
- Overview of Nalcor's assurance process
- Potential messaging

Key Messages

- Nalcor has a robust procurement process for the Lower Churchill Project with appropriate checks and balances in place
- Nalcor retains full control of procurement activities. It has exclusive decision making on contract awards and retains exclusive financial authority
- Nalcor has leading edge governance, audit and due diligences processes to ensure appropriate oversight
- Major contracts and business transactions are regularly reviewed by Nalcor's audit team

Key Messages

- Nalcor has been assured that SNC Lavalin is taking prudent steps to address allegations of criminal activity
- Internal measures continue to monitor business activities and have not detected any irregularities or inappropriate activity
- SNC Lavalin remains committed to the successful completion of the project

SNC Lavalin's Role in the Lower Churchill Project

Background information

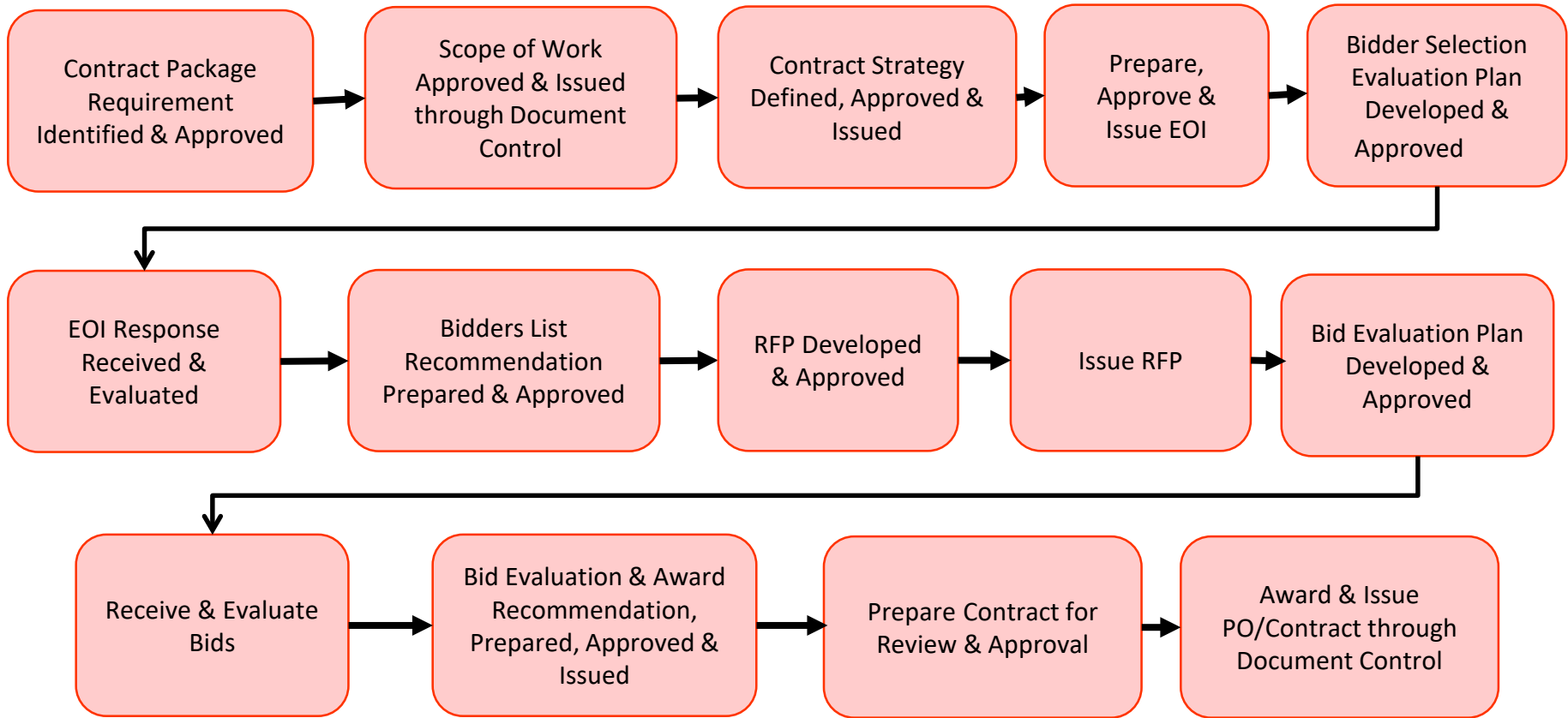
- SNC Lavalin was awarded the Engineering, Procurement and Construction Management (EPCM) contract for LCP Phase 1 in February 2011
- Process for awarding EPCM contract:
 - Public expression of interest
 - Request for proposals issued to three global leaders in hydroelectric construction projects: SNC Lavalin, Hatch and Black and Veatch
 - Comprehensive evaluation process using best practices for large scale construction projects
 - Additional due diligence completed by Nalcor Corporate

Background information

- SNC Lavalin currently has 224 employees in St. John's. Specific to procurement they provide staff to Nalcor's integrated project team to issue and help evaluate EOI's and RFP's
- Decision making responsibility is with Nalcor. Awards are based on Nalcor standards and LCP terms and conditions
- Financial authority, including payment of invoices, is with Nalcor. It is not delegated
- Nalcor Corporate maintains a due diligence role

Overview of Procurement Process

Procurement Process



Key Control Points

- Contract Package list is developed and approved
- 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
- Bid Evaluation and Award Recommendation prepared, approved and issued
- Contract is prepared, reviewed and approved prior to issue to Contractor

Process Integrity

- Bidders are requested to submit commercial and technical proposals separately
- Bidders submit proposals via a sealed bid process
- Bid evaluation plan must be approved prior to bid opening
- Bid receipt and opening recorded by commercial team only
- Commercial team evaluates commercial proposal in isolation of other team members (i.e. technical, H&S, QA, benefits, finance, legal etc.)

Process Integrity

- Bid clarifications held with bidders; bid clarification meetings held as required; commercial clarifications kept separate from technical
- 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

Basis of Contracting and Purchasing

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

Bidder Selection Process

- Post packages on Nalcor and SNC websites
- Post Expression of Interest / Bidder Selection Questionnaires for each package
- Identify potential suppliers from various sources
- Potential suppliers complete and submit questionnaires
- Evaluate questionnaire responses
- Bid list determined based on criteria
- Bid list posted on Nalcor and SNC websites

RFP Contents

Part 1

- Instructions to Bidders
- Appendix 1 – Technical Requirements
- Appendix 2 – Commercial Requirements
- Appendix 3- Substitutions & Alternatives
- Appendix 4 – Supplier Document Requirements List
- Appendix 5 – Health & Safety Questionnaire
- Appendix 6 – Environmental Questionnaire
- Appendix 7 – Quality Questionnaire
- Appendix 8 – Risk Management Questionnaire
- Appendix 9 – Schedule
- Appendix 10 – Labour Unions
- Appendix 11 – Provincial Benefits Questionnaire
- Appendix 12 – Site Requirements
- Appendix 13 – Execution Plan
- Appendix 14 – Financial Data & Status
- Appendix 15 – Logistics & Transportation Strategy
- Appendix 16 – Subcontractors, Manufacturers & Material Source
- Appendix 17 - Exceptions

RFP Contents

Part 2

- Articles of Agreement
- Exhibit 1 – Scope of Work
- Exhibit 2 – Compensation
- Exhibit 3 – Coordination Procedures
- Exhibit 4 – Supplier Document Requirement List
- Exhibit 5 – Health & Safety Requirements
- Exhibit 6 – Environmental & Regulatory Compliance Requirements
- Exhibit 7 – Quality Requirements
- Exhibit 8 – Subcontractors, Manufacturers & Material Source
- Exhibit 9 – Schedule
- Exhibit 10 – Declaration of Residency
- Exhibit 11 – Company Supplied Documents
- Exhibit 12 – Site Conditions
- Exhibit 13 – Provincial Benefits
- Exhibit 14 – Performance Security

Evaluation Criteria

- Commercial requirements
- Commitments in IBA, NL Benefits Strategy and NL/NS Benefits MOU
- Health, Safety and Environment
- Experience
- Creditworthiness
- Price
- Quality Assurance
- Technical suitability
- Service

LCP Outstanding Commitment Packages To Be Awarded

18-Apr-2013		Award
Commitment Package	Commitment Package Name	Forecast
CH0003	Supply and Install Administrative Buildings	24-Jun-2013
CH0005	Supply and Install Accommodations Complex Site Utilities	2-May-2013
CH0007	Construction of Intake and Powerhouse, Spillway and Transition Dams	31-Jul-2013
CH0008	Construction of North Spur Stabilization Works	8-Dec-2013
CH0009	Construction of North and South Dams	4-Jun-2014
CH0023	Construction of Reservoir Clearing South Bank	16-Aug-2013
CH0024	Construction of Reservoir Clearing North Bank	6-May-2013
CH0029	Construction of Site Restoration at Muskrat Falls	21-Aug-2016
CH0031	Supply and Install Mechanical and Electrical Auxiliaries (MF)	27-Jul-2014
CH0032	Supply and Install Powerhouse Hydro-Mechanical Equipment	3-Sep-2013
CH0033	Supply and Install Powerhouse Cranes	18-Jul-2013
CH0034	Supply and Install Powerhouse Elevator	26-Nov-2013
CH0039	Supply and Install McKenzie River Permanent Bridge	28-Dec-2013
CH0049	Supply and Install Log Booms	26-Nov-2013
CH0052	Construction of Habitat Compensation Works	24-Dec-2013
PH0014	Supply of Generator Step-up Transformer	23-Jul-2013
PH0015	Supply of Isolated Phase Bus	16-Aug-2013
PH0016	Supply of Generator Circuit Breakers	12-Aug-2013
PH0035	Supply of Station Service Transformers	12-Jan-2014
PH0058	600 V Switchgear	11-Jul-2013
SH0018	Provision of Catering, Housekeeping and Janitorial Services (MF)	16-Jul-2013
SH0022	Provision of Fuel Supply and Dispensing Services (MF)	8-Jul-2013
SH0040	Provision of Garbage Removal and Disposal Services (MF)	15-Jul-2013
SH0041	Provision of Ground Transportation Services (HVGB to MF)	11-Jun-2013
SH0051	Provision of Buildings Maintenance Services (MF)	15-Aug-2013

LCP Outstanding Commitment Packages To Be Awarded Con't

Commitment Package	Commitment Package Name	Forecast
CD0501	Supply and Install Converters and Cable Transition Compounds	2-Nov-2013
CD0502	Construction of AC Substations and Synchronous Condensers Facilities	17-Mar-2014
CD0503	Construction of Earthworks at Various Power Distribution Sites	23-Jun-2013
CD0508	Supply and Install of Electrode Sites	19-Mar-2014
CD0509	Construction Telecommunication Services - Phase 2	31-Jul-2013
CD0510	Supply and Install Permanent Communication Systems	2-Oct-2013
CD0534	Supply and Install Soldiers Pond Synchronous Condensers	19-Feb-2014
CD0535	Construction Telecommunication Services - Phase 2 Remote Camps	21-Jul-2013
CD0538	Supply and Install Accommodations Camp (CF)	25-Apr-2013
PD0537	Supply of Power Transformers, AC Substations at CF, MF and SP	9-Sep-2013
SD0536	Provision of Integrated Commissioning Support Services	29-Nov-2013
SD0564	CF Camp Services	15-Aug-2013
SD0565	Provision of Marine Geo-tech investigation shoreline Pond Electrodes	7-Jun-2013
CT0319	Construction of 315 kV HVac Transmission Line (MF to CF)	4-Jun-2013
CT0327	Construction of 350 kV HVdc Transmission Line - Section 1	4-Oct-2013
CT0342	Construction of AC Transmission Lines - Island	25-Oct-2013
CT0345	Clearing of Right-of-Way for HVdc Transmission Line - Section 2	3-Oct-2013
CT0346	Construction of 350 kV HVdc Transmission Line - Section 2	21-Jun-2014
CT0355	HVdc Marshaling Yards Island	17-Sep-2013
PT0308	Supply of Steel Tower Foundations - 350 kV HVdc	15-Jul-2013
PT0328	Supply of Transmission Line Conductors - 350 kV HVdc	5-Jul-2013
PT0329	Supply of HVdc Insulators - 350 kV HVdc	5-Jun-2013
PT0330	Supply of Steel Towers - 350 kV HVdc	7-Aug-2013
PT0331	Supply of Tower Hardware - 350 kV HVdc	15-Sep-2013
PT0334	Supply of Steel Wires - 350 kV HVdc	26-Jul-2013
PT0335	Supply of Anchor Materials - 315 kV HVac	24-Apr-2013
PT0351	Supply of Wood Poles	18-Jul-2014
PT0352	Supply of Anchor Materials - 350 kV HVdc	9-Aug-2013
PT0353	Supply of Optical Ground Wire (OPGW) - 350 kV HVdc	9-Sep-2013

LCP Outstanding Commitment Packages To Be Awarded Con't

Commitment Package	Commitment Package Name	Forecast
PT0356	Supply of Dampers HVdc	31-Jul-2013
ST0309	Provision of Geotechnical Investigation Services - 315 kV HVac	ON HOLD
ST0310	Provision of Geotechnical Investigation Services - 350 kV HVdc	ON HOLD
ST0311	Provision of Survey Services - 315 kV HVac	3-May-2013
ST0312	Provision of Survey Services - 350 kV HVdc	6-Jan-2014
SM0700	Provision of General Freight Forwarding Services	21-Jun-2013
SM0704	Provision of Surveying Services	4-Jun-2013
SM0705	Provision of Laboratory Services	29-Jul-2013
SM0707	Provision of Helicopter Services	31-Jan-2014
SM0709	Provision of Air Transportation Services	19-Sep-2013
SOBI Scope		
LC-EV-102	Regulatory Compliance Labrador	16-Jun-2013
LC-EV-103	Environmental Monitoring Labrador (IBA)	1-Jun-2013
LC-EV-104	Environmental Monitoring & Regulatory Compliance - Island	24-Jun-2013
LC-MF-001	Fish Habitat	31-Jul-2013
LC-SB-011	Rock Berm Construction Supply and Install	27-Oct-2013
LC-SB-021	Civil Works - Forteau and Shoal Cove	10-Oct-2013
LC-SB-022	HDD Rig and Surface Spread	3-Sep-2013
LC-SB-023	HDD Drilling Fluids Services	18-Jul-2013
LC-SB-024	HDD Directional Services	26-Jul-2013
LC-SB-025	Electronics Drilling Recorder (EDR)	18-May-2013
LC-SB-026	HDD Drill Bits and Tooling	7-Aug-2013
LC-SB-027	HDD Conduit	12-Oct-2013
LC-SB-034	Conduit Punchout Verification	15-Jan-2014
LC-SB-035	Conduit Preservation	15-Mar-2014
LC-SB-036	Conduit End Connection	8-Aug-2013

Total of Awarded Contracts

LCP Purchase Orders Awarded - 82

Total Awarded Value \$737,365,916.00

Summary of Awarded Packages

Listing of Contracts and Purchase Orders - Awarded at LCP Project Office (SNC -Torbay Road)

Package #	Package Title	Award Date	Successful Contractor
CH0002-001	Supply and Install Accommodations Complex Buildings	22-Oct-12	Liannu Limited Partnership
CH0004	Construction of Southside Access Road	25-May-12	Liannu Limited Partnership
CH0006	Construction of Bulk Excavation Works	06-Nov-12	IKC-ONE Earthworks Constructors, a Partnership
CH0030	Supply and Install Turbines and Generators	02-Jan-13	Andritz Hydro Canada Inc
CH0048	Construction of Site Clearing for Southside Access Road & Ancillary Areas	20-Apr-12	Nukum Forestry Ltd
CH0055	Temporary Camp Installation	18-Oct-12	Capital Structures Inc.
CH0062	Demonstration Pad	06-Nov-12	Melville Trucking
PH0036	Supply of Auxiliary Transformers	13-Aug-12	MVA Power Inc.
PH0038	Supply of Emergency Diesel Generators	12-Oct-12	Toromont Industries Ltd.
PH0053	Temporary Construction Camp & Kitchen	24-Sep-12	Manitoba Hydro
PH0053-005	Sewage Treatment Plant	05-Nov-12	Nomadic Mobile Sewage
PH0053-006	Water Treatment Plant	05-Nov-12	Electric Motor & Pump
PH0053-007	Transportation of Sewage Treatment Plant	09-Nov-12	Hunt's Transport Limited
PH0053-008	Fuel Tanks	20-Nov-12	Bursey Manufacturing Inc.
PH0053-009	Teck Cable	30-Nov-12	Texcan
PH0053-010	Lift Station	21-Dec-12	Sansom Equipment Ltd
PH0057	Office Trailers and Washcars	28-Sep-12	Dickie Moore Rentals
PH0059	Step Down Transformers for Dorms	26-Oct-12	McLoughlan Supplies Ltd
SH0001	Physical Hydraulic Model	11-Jul-11	Northwest Hydraulic Consultants
SH0019	Provision of Security Services	01-Nov-12	Speuata Security Inc.
SH0020	Provision of Medical Services	01-Nov-12	Innu-Med Inc.
SH0054	Provision of Temporary Site Services (catering for temporary camp)	10-Jan-13	Labrador Catering Limited Partnership
SH0056	Transportation of Temporary Camp	11-Oct-12	Hunt's Transport Limited

Summary of Awarded Packages Con't

Package #	Package Title	Award Date	Successful Contractor
CD0512	Construction of Construction Power Facilities	20-Jun-12	G.J. Cahill & Company (1979) Limited
PD0513	Supply of 138/25 kV Transformers	11-Jan-11	Siemens Canada
PD0513	Storage Charge for Transformers (C/O)	11-Jan-11	Siemens Canada
PD0514	Supply of 138/25 kV Circuit Breakers	06-Feb-12	Alstrom Grid Canada
PD0515	Supply of 230/138/25 kV Disconnect Switches	13-Feb-12	Alstrom Grid Canada
PD0518	Supply of 138 kV Capacitor Voltage Transformer	06-Feb-12	Alstrom Grid Canada
PD0519	Supply of 25 kV Vacuum Interrupter	06-Feb-12	Siemens Canada
PD0520	Supply of 25 kV 6x4 MVAR Capacitor Banks	06-Feb-12	ABB Inc.
PD0522	Supply of Pre-Fabricated Control Room Building	11-Apr-12	Automatisation Grimard Inc.
PD0523	Supply of Substation Service Transformers	19-Jan-12	Carte International Inc.
PD0529	Supply of 25 kV Reclosers	06-Feb-12	Siemens Canada
PD0530	Supply of 138/25 kV Surge Arrestors	06-Feb-12	Graybar Canada
PD0531	Supply of MV Instrument Transformers	19-Mar-12	ABB Inc.
PD0533	Supply and Install Early Works Telecom Devices	19-Apr-12	Bell Mobility (Sango Tech)
PD0561	Supply of D20 RTU and Cabinets	21-Jun-12	GE Canada
PD0562	Supply of Protection Front Panels and Protection Relays	29-Jun-12	Cahill Instrumentation
PD0563	Supply of 138 kV Circuit Switcher, MV Switches & Fuse Cut-outs	04-Jul-12	S & C Electric
SD0560	Provision of Early Works Construction Telecommunication Services (MF)	05-Dec-11	Bell Mobility Inc.
SD0560-001	Provision of Early Works Construction Telecommunication Services (MF)	18-Dec-12	Roadpost Satcom
CT0341	Clearing of Right-of -Way for 315 kV Hvac Transmission Line (MF to CF)	21-Mar-13	Great Western Forestry Inc.

Summary of Awarded Packages Con't

Package #	Package Title	Award Date	Successful Contractor
PT0300	Supply of Conductors for 315 kV Hvac Transmission Line (MF to CF)	05-Apr-13	Midal Cables
PT0301-001	Supply of Insulators for 315 kV Hvac Transmission Line (MF to CF)	18-Jan-13	Seves Insulators of Canada Ltd.
PT0302	Supply of Tower Steel for 315 kV Hvac Transmission Line (MF to CF)	06-Feb-13	SA-RA Energy
PT0303	Supply of Tower Hardware for 315 kV Hvac Transmission Line (MF to CF)	17-Apr-13	Mosdorfer North Carolina Inc.
PT0304-001	Supply of Hardware for 315 kV Hvac Transmission Line (MF to CF)	25-Jan-13	Mosdorfer North Carolina Inc.
PT0304-002	Supply of Optical Ground Wire for 315 kV Hvac Transmission Line (MF to CF)	25-Jan-13	Suzhou Furukawa Power Optic
PT0307	Supply of Steel Tower Foundations for 315 kV Hvac Transmission Line (MF to CF)	05-Mar-13	Fabrimet
PT0326-001	Supply of Steel Wires for 315 kV Hvac Transmission Line (MF to CF)	28-Jan-13	Graybar Canada
PT0336-001	Supply of 25 kV Distribution Line Hardware	03-May-12	McLoughlan Supplies Ltd
PT0336-002	Supply of 25 kV Distribution Line Hardware	03-May-12	Nedco Atlantic
PT0336-003	Supply of 25 kV Distribution Line Hardware	14-May-12	Graybar Canada
PT0337	Supply of 25 kV Distribution Line Fibre Optic Cable	25-Jun-12	Graybar Canada
PT0338	Supply of 25 kV Distribution Line Conductors	19-Apr-12	Graybar Canada
PT0339	Supply of 25 kV Distribution Line Insulators	18-Apr-12	Canadian Technical Services
PT0340	Supply of Wood Poles for 138/25 kV Distribution Line	25-Apr-12	Stella Jones
SM0701-001	Provision of Third Party Quality Surveillance & Inspection Services	18-Mar-13	GL Noble Denton
SM0701-002	Provision of Third Party Quality Surveillance & Inspection Services	15-Apr-13	Moody International
SM0701-003	Provision of Third Party Quality Surveillance & Inspection Services	18-Mar-13	SGS Canada Inc.
SM0701-004	Provision of Third Party Quality Surveillance & Inspection Services	18-Mar-13	Killick Group Ltd.
SM0713	Provision of Geotechnical Investigation Services	27-Mar-13	AMEC Environment & Infrastructure

Summary of Awarded Packages Con't

Listing of Contracts and Purchase Orders - Awarded at LCP Project Office (SOBI -Hydro Place)

LC-SB-002	Iceberg Tracking Program	19-Aug-11	PAL
LC-SB-003	Supply & Install of Submarine Cable	28-Nov-12	Nexans Norway AS
LC-SB-004	Marine Crossings Vessel Program 2011	04-Jul-11	Fugro GeoSurveys
LC-SB-005	Fisheries Exclusion Zone Study	05-Apr-11	Canning & Pitt
LC-SB-007	HDD 2011 Field Program	19-Aug-11	Mears Canada
LC-SB-008	HDD Detailed Design	01-Aug-11	Hatch Limited
LC-SB-014	Geotechnical Program - Labrador 2011	29-Sep-11	AMEC
LC-SB-015	Geothermal Assessment for SOBI	16-Sep-11	Geotherm inc.
LC-SB-016	Environmental Services	17-Oct-11	Conestega-Rovers
LC-SB-017	Ocean Characteristics Study	13-Sep-12	AMEC
LC-SB-018	Third Party Inspection Services	14-Nov-12	Spectrol Energy
LC-SB-019	Cable Protection Study	10-Feb-12	CTC Marine
LC-SB-020	Cable Protection Study	10-Feb-12	Pharos Offshore
LC-SB-029	Third Party Inspection Services	14-Nov-12	Lloyd's Register
LC-SB-030	Marine Terminal Tendering Support	15-Nov-12	Stantec Consulting
LC-SB-031	SOBI HVDC Study	21-Dec-12	Aco-Anders Consulting

Overview of Assurance Process

Key Elements of Assurance

OVERSIGHT

- Direct reporting relationship to Board
- Independent and objective
- Coordination & oversight of assurance function
- Adherence to professional standards

CONTROL SYSTEMS

- Charters
- Management Plans
- Policies
- Procedures
- Process Instructions
- Templates
- Expenditure Authorities

COMPLIANCE

- Validation of systems design
- Verify implementation
- Ensure compliance
- Perform compliance role in accordance with established standards

Element Participants



* Third party assurance providers

Internal Audit Role

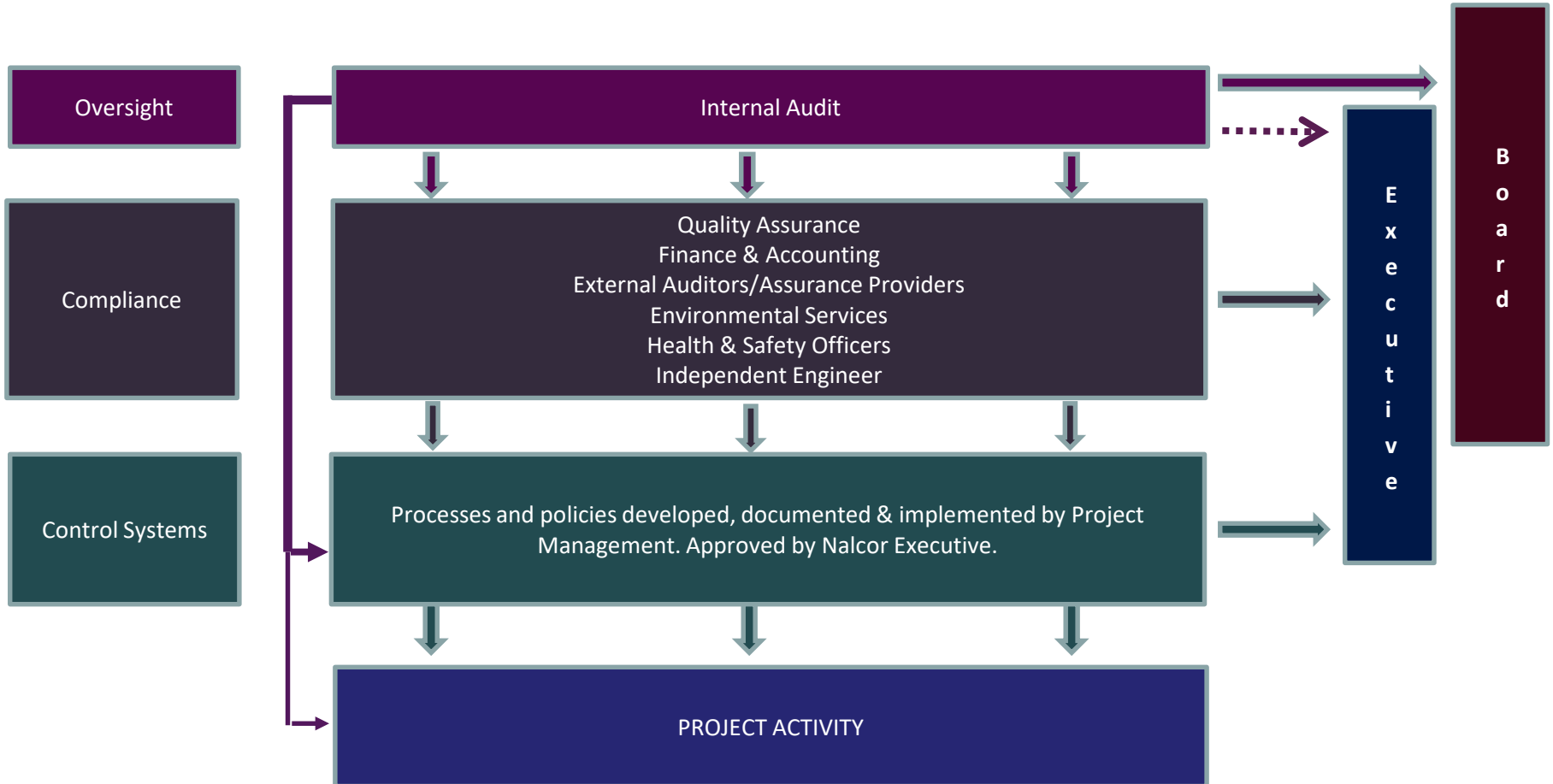
- Internal audit provides assurance over the entire organization but also relies on the work of other assurance providers
 - The degree of reliance will be impacted by such factors as the qualifications of the assurance provider, the robustness of their audit strategy/plan, procedures and execution practices
 - These factors will require testing by internal audit if reliance is to be placed on the work of the assurance provider
- IIA IPPF Standard 2050 – “The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.”
- The board uses multiple sources to gain reliable assurance
- The level of assurance desired and who should provide that assurance will depend on the level of risk
- Coordination of assurance efforts is critical to effective governance, risk management and control
- Internal audit best positioned to lead that “coordination” effort

Compliance Participants – Audit Focus

ASSURANCE PROVIDER	AUDIT FOCUS AREAS				
Quality Assurance	LCP Integrated Management System (IMS) Components	Suitability, adequacy and effectiveness of all sections of the IMS	Adherence to NE-LCP governing policies, objectives and targets	Identification of opportunities for improvement to the IMS	Contacts - Conformance to approved Quality Plan and compliance with contractual agreements
Environment	Effectiveness of the Environmental Management Plan (EMP)	Degree of conformity during construction with EMP	Success of EMP implementation		
Health & Safety	Evaluate the success of H&S Management Plan implementation	Effectiveness of the H&S Management Plan	Conformity during construction with the H&S Management Plan		
Finance	Appropriateness of contractor charges to the Project	Effective and efficient processing of all charges to the Project	Appropriate allocation of financial costs		
Independent Process Review	Project readiness of people, processes & tools to pass through Decision Gate 3.	Produce observations, recommendations and a gap closure plan.	Audit focus is on key deliverables as defined in the Decision Gate 3 Key Deliverables List..		
Independent Engineer	Review the principal aspects of the engineering design, cost and scheduling estimates	Review the technical provisions in the principal Project contracts and permits	During construction, review the engineering, procurement, construction and testing and commissioning phase of the Project		
External Auditors	Validity of charges to the capital project	Appropriate classification of charges as capital			

RISK MANAGEMENT

A Coordinated & Integrated Approach



Potential Messaging

Nalcor messaging

- SNC Lavalin was awarded EPCM contract through LCP contracting process
 - Standard process in large scale construction industry
 - Mirrors policies and procedures used in international oil and gas industry
- Various areas of technical expertise are engaged in the due diligence function with corporate cold eyes review teams engaged for key procurement recommendations
- Nalcor retains full oversight, decision making and financial authority over all contract awards

Nalcor messaging

- Nalcor's CEO has discussed allegations of criminal activity with SNC Lavalin's CEO. They have taken prudent steps to address these concerns
- Nalcor has comprehensive governance, audit and due diligence processes
 - It is standard practice for an additional corporate cold eyes review for Key Procurement Recommendations. No major issues detected to date.
- We continue to closely monitor all operations
- SNC Lavalin brings great expertise and a wealth of knowledge to the table. They are committed to successful completion of Project.

Nalcor messaging

- Nalcor's Board of Directors has an audit committee which has full access to oversight activity. They have the ability to request additional measures and Nalcor's Manager of Internal Audit reports directly to it
- Deloitte and Touche LLP provide an opinion on Nalcor's financial statements
- Government has additional oversight beyond standard industry practices through the Auditor General

Possible messaging for Minister

- Government is aware of the allegations that have been made and continues to monitor the situation
- I have raised this issue with Nalcor's CEO and discussed Nalcor's policies and procedures for procurement and contract oversight.
- I am confident a robust and appropriate procedure is followed and that proper checks and balances are in place to protect the Province's interests
- *It would be inappropriate for Government to be involved in bid evaluations or contract awards*

Possible messaging for Minister

- Good governance requires Government to remain arms length with respect to day-to-day operations of Nalcor. However, we remain fully briefed by Nalcor's Board and CEO with respect to relevant shareholder and policy issues and other issues as required
- Government is satisfied that the relationship between Nalcor and SNC Lavalin is appropriate
- *The Auditor General has the full authority to review all aspects of Nalcor's operations at his discretion*