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Subject: Fw: Delegation of Authority
Date: Tuesday, August 20, 2013 4:53:03 PM
Attachments: [.png](#)
[.png](#)
[.png](#)
[Capital Expenditure Authorization Procedure.pdf](#)
[MF Project Manager.pdf](#)
[General Project Manager.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?

----- Forwarded by Gerald Cahill/NLHydro on 08/20/2013 04:52 PM -----

From: Gerald Cahill/NLHydro
To: Lower Churchill Project Staff,
Date: 08/16/2013 01:44 PM
Subject: Delegation of Authority

Attached for your information and immediate application are the following Authority Matrices:

General Project Manager - MF, LIL, LTA

This matrix delegates authority to Project Manager - Muskrat Falls Generation (Scott O'Brien), Project Manager Hvdc Specialities (Darren DeBourke) and Deputy General Project Manager (Jason Kean)

Project Manager - Muskrat Falls Generation

This matrix delegates authority to Muskrat Falls Site Manager (Desmond Tranquilla)

I have also attached the authorization procedure which outlines the parameters under which authority is delegated and exercised. Please take some time to review this procedure and

understand the manner in which we should conduct our business in the execution and application of these authorities.

Please direct any questions on the procedure, its interpretation or application to me.



Capital Expenditure Authorization Procedure.pdf



MF Project Manager.pdf



General Project Manager.pdf

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Nalcor Energy – Lower Churchill Project



Capital Expenditure Authorization Procedure

LCP-PT-MD-0000-FI-PR-0001-01

<p>Comments: <i>Supersedes Document # MSD-FI-001 - Capital Expenditure Approval Authorization Procedure. Effective coincident with Decision Gate 2.</i></p>	<p>Total # of Pages (Including Cover): 21</p>
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Status/Revision	Date	Reason For Issue	Prepared By	Checked By	Project Director	VP - Finance & CFO	VP - LCP	President & CEO
B1	05-Mar-2012	Issued for Use	M. Bradbury	G. Cahill	P. Harrington	D. Sturge	G. Bennett	E. Martin
A1	17-May-11	Issued for Review	M. Bradbury					
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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 authorizations, commitments and verification for the Nalcor Energy – Lower Churchill Project Components.

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 NE-LCP.

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

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

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

Authorization for Expenditure (AFE) The mechanism by which approval for appropriations of capital expenditure is obtained. Multiple forms of AFE exist as follows:

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 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	References to the Board of Directors in this procedure mean the Board of Directors for Nalcor Energy.
Budget	The Budget will be 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 will form 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 has been assigned Responsibility for the completion of aspects of the work scope contained in the Project Component 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.
Contract	A legal agreement that binds Nalcor to a Financial Commitment and/or obligation to another party.
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.
Cost Control Accounts	The Cost Control Account is a unique code applied against each item of cost for the Project.
Current Control Budget (CCB)	The Original Control Budget plus the estimated value of any approved scope additions or deletions.
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.

Estimate Contingency	<p>Provision made for variations to the basis of an estimate of time or cost that are likely to occur, that cannot be specifically identified at the time the estimate is prepared but, experience shows, will likely occur.</p> <p>Note: Estimate 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).</p>
EPCM Contract	<p>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 Services Agreement for purposes of application of this procedure.</p>
Financial Commitment	<p>Based on the receipt of Financial Authorization, a legal agreement (Contract/PO/WTO/PAA/Variation) between Nalcor Energy 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.</p>
Gatekeeper	<p>Individual responsible for making the decision at a Decision Gate of the Gateway Process.</p>
Internal Contractor	<p>Individuals contracted by Nalcor Energy under contract to fill a specific role within the Project Management Team.</p>
Management of Change	<p>Procedures as detailed in the Project Change Management Plan LCP-PT-MD-0000-PM-PL-0002-01.</p>
Master Services Agreement (MSA)	<p>A standing agreement whereby there can be a periodic draw on goods and/or services as required under an established compensation and services scheme.</p>
Original Control Budget (OCB)	<p>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.</p>

Project Assignment Authorization	For the EPCM Contract the WTO is replaced with a Project Assignment Authorization (PAA) to draw on resources under that agreement.
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.
Project Sanction	Approval to proceed through Decision Gate 3.
Purchase Order (PO)	A Contract with a provider of goods, equipment or materials with a desired delivery time and with specific quantities and prices.
Responsibility	The obligations taken on by individuals in their roles in the formal organization to effectively perform assignments.
Requisition	Documents the internal review and authorization process required prior to procuring goods and services. A Requisition is required to authorize the issue of a Financial Commitment document; i.e. Contract, PO, WTO or Variation. For application to the EPCM Contract the PAA will also serve to fulfill the requirements of the Requisition.
Variation Order	A commercial document which represents an accepted and approved change or amendment to a Project contract.
Work Task Order (WTO)	A commercial document used to contract services and provide an instruction to the contractor to execute a scope of work under a 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 (PAA) 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 Chief Financial Officer
MSA	Master Services Agreement
NE-LCP	Nalcor Energy Lower Churchill Project
OCB	Original Control Budget
PAA	Personnel Assignment Authorization
PMT	Project Management Team
PO	Purchase Order
RFP/Q	Request for Proposal/Quote
SCM	Supply Chain Management for Lower Churchill Project
VP-LCP	Vice President – 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-FI-PR-0005-01	Capital AFE Preparation and Supplement Procedure
LCP-PT-MD-0000-PM-LS-0001-01	Project Dictionary
LCP-PT-MD-0000-PM-PR-0001-01	Gateway Process
FRM-MM-018	Requisition/Release Form

6.0 Roles and Responsibilities

- | | |
|--|---|
| NE-LCP
Project
Director | <ul style="list-style-type: none"> Responsible for financial stewardship of the NE-LCP against approved Project Component AFE's within the Project Director's scope of authority, generally encompassing activities and costs pertaining to planning, environmental approvals, construction management and execution. |
| General
Manager
Finance
(Lower
Churchill) | <ul style="list-style-type: none"> Responsible for financial stewardship of the NE-LCP against approved Project Component AFE's within the GM 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 (Lower Churchill) 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 Project Component AFE's are properly approved before financial obligations are incurred
 - Owner of the AAL process for the Project
 - Co-ordinate preparation and secure approval of all Project Component AFE's
- Project Controller**
- Maintain:
 - 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; and
 - signature specimens of all individuals with AAL.
 - publish Authorization Authority Level matrices on a regular basis
 - Log emergency expenditure explanations
 - Formulates and monitors processes and controls associated with invoice verification
- Project Controls Lead**
- Responsible for ensuring the preparation of estimates, Budgets, schedules and plans necessary for the effective control of the project
 - Verification that all cost on a pending Requisition is aligned with the approved AFE
 - Verification of cost coding on all Requisitions
 - Facilitate the Management of Change process with respect to budgetary control
- Budget Holders**
- 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
 - Ensures compliance with processes and controls associated with technical and financial verification of invoices
- Manager**
- Owner of the Requisition process for the Lower Churchill Project

- Supply Chain**
- Responsible for signing all Financial Commitments supported by an approved Requisition
 - Administering Financial Commitment changes in accordance with the requirements of this procedure

7.0 Guiding Principles

The "Capital Expenditure Authorization Procedure" promotes the following guiding principles:

- 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.
- Delegated authority level will be commensurate with normal day-to-day activities associated with responsibilities of the position.
- 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 for the EPCM Contract) material slips, timesheets or invoices that result in a benefit to that 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. A listing of affiliations is maintained by an assigned Contracts Coordinator in the Supply Chain team.
- 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.
- Scopes of work or services will not be segregated (i.e. order splitting) in order to circumvent the approval process and this procedure.
- No Budget funds may be allocated to a Budget Holder for expenditure authorization unless contained within the scope of an approved AFE.
- Individuals with AAL must be employees/Internal Contractors of the NE-LCP. Other persons may be delegated AAL in accordance with Delegation of Authority guidelines outlined in this Policy statement.
- Individuals in positions with AAL cannot authorize expenditures outside the scope of the related AFE or their respective related Budget and workplan.

8.0 Expenditure Control Process

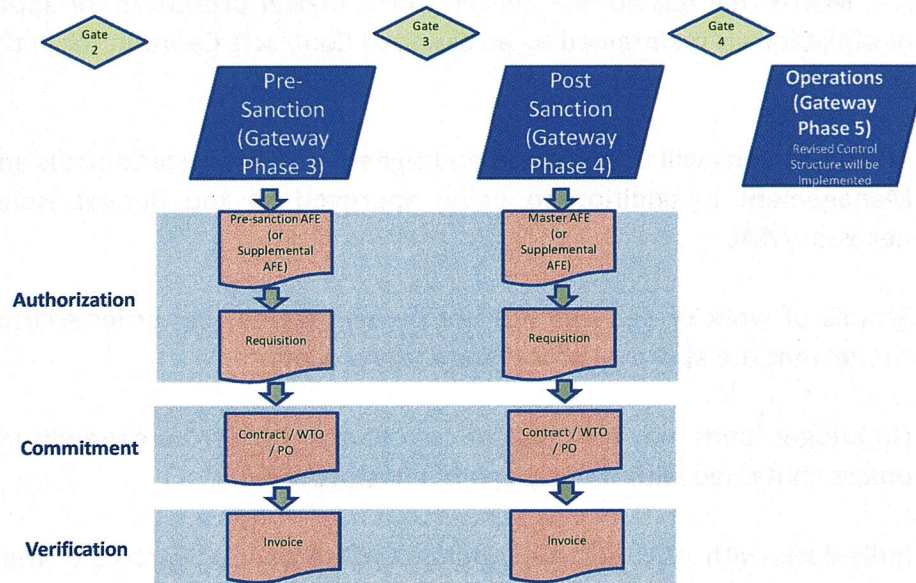
8.1 Overview

Expenditure control is exercised in three distinct forms, namely Authorization, Commitment and Verification. Authorization begins with the approval by the Board of Directors of either a Pre-sanction AFE or Master AFE for the Project Component and related Budget. Subsequent changes are governed by procedures inherent in the Project Change Management Plan. Further authorizations of greater specificity and defined scope under an AFE are raised by way of Requisition. Financial Commitments can only be entered into under an approved Requisition and are made through the execution of various commercial documents such as a WTO, PAA, PO or Contract. Financial Verification takes place upon receipt of a third party charge.

While Budgets, assigned to Cost Control Accounts, encompass the entire scope of the OCB or latest CCB, only Budgets under the scope of an approved AFE can be considered as authorized for expenditure in accordance with procedures documented herein.

An overview of the expenditure control structure is contained in Figure 1.0.

Figure 1.0 – Expenditure Control Structure



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.

An AFE will include in its scope all activities between Decision Gates 2 and 4. 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.

Generally an AFE should be prepared within the scope of each Project Component, although a single Pre-sanction AFE can be used for one or more Project Components at the discretion of the General Manager Finance in consultation with the Project Director. A separate Master AFE is required encompassing the scope of each Project Component.

AFE's should be completed in accordance with guidelines as provided in this procedure and the AFE Preparation and Supplement Procedure (LCP-PT-MD-0000-FI-PR-0005-01). The Pre-sanction and Master AFE's, shall be 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 the General Manager Finance (Lower Churchill), Project Director, Vice-President, Lower Churchill Project, Vice President Finance and CFO and President & CEO, Nalcor Energy before being presented to the Board of Directors for approval. In cases where the Project Component is being developed in conjunction with another partner, the approval of that partner will also be required. AFE's will include Estimate Contingency which will be managed by the Project Director or General Manager Finance depending on approved AFE scope.

Budget Holders are expected to exercise budgetary authority within the confines of Budget funds as provided to them by Project Controls and as detailed in their respective Cost Control Accounts. The Budget Holder cannot authorize release of funds unless under the scope of an approved AFE.

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 for an allocation of Estimate Contingency should be made where there is a requirement for an unanticipated expenditure that is "Estimate Contingency" in nature and that 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 OCB or CCB as applicable or for a change in scope of a previously approved AFE.

Further authorizations of greater specificity and defined scope under an AFE are raised by way of 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.

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 AAL, Budget Holders are required to verify, review and approve the Requisitions prior to forwarding them on and receiving the final approval from the individual with the necessary AAL.

Estimate Contingency will be included as a separate line item on each AFE and will be included in the Budget by Project Component. Estimate 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 NE-LCP, a Financial Commitment via a commercial Contract or Purchase Order between Nalcor Energy and the supplier or service provider is required. The raising of Financial Commitments creates a financial obligation on Nalcor Energy and must be supported by and within the scope of 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, Variation orders, or amendments. Commitment Authority is delegated to and managed by Supply Chain Management and can be further delegated to members of the Supply Chain team as it pertains to their respective areas of Responsibility. Commitment approval authority may be delegated to the Budget Holder at the discretion of the Supply Chain Manager.

Noted exceptions to this are the use of a Corporate Purchasing Card used for the purchase of general sundries and general consumables with a value less than \$1,000. The Corporate Purchasing Card can be used for costs in excess of \$1,000 for costs associated with business travel. Travel authorizations, approved by the appropriate level of AAL, are required for all business travel prior to the scheduling of travel.

8.4 Verification Authority

Goods and services rendered in connection with a Financial Commitment will generally be billed by the provider via an invoice. Financial verification procedures associated with

an invoice are to be performed by Finance, with the Budget Holder (or their designate) ensuring the performance of technical verification.

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

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 Matrix. The Matrix will include only details of all permanent delegations of authority.

9.2 Permanent Delegation of Authority

Appendix A.1 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. LCP Managers, as noted in Appendix A.1, can be either permanent employees of Nalcor or Internal Contractors. Where the business requirement exists to (permanently) delegate authority to enable a position to fulfill its Responsibilities, authority can be delegated to the position by the manager for that position in consultation with the Project Controller and in accordance with this procedure. Details of all permanent delegations of Authority will be maintained and regularly published as Authorization Authority Level matrices by the Project Controller.

The permanently delegated authority level 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. Delegation to third parties requires the prior approval of both the VP-LCP and the General Manager Finance.

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. Temporary delegation can be assigned up to 100% of the authority of the delegator. Details of authority delegation shall be communicated via an email 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 level of authority delegated.

10.0 Approval Authority Limits Matrix

The Approval Authority Limits Matrix (Appendix A.1) outlines the assigned limits of authority, both before and after sanction, associated with Authorization, Commitment and Verification. The "Ref #" column in this matrix denotes for each application of authority, the delegated authority limits associated with each component covered by that authority. These are defined as follows:

- 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.

Generally a Pre-sanction AFE should be prepared for each Project Component, although a Pre-sanction AFE may be used for one or more Project Components at the discretion of the General Manager Finance in consultation with the Project Director. 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 given Project Component, but only as contemplated in a capital budget that has been approved by the Nalcor 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 it is required during the pre-sanction phase, to commit to an expenditure for a long-lead procurement item, approval of the Gatekeeper 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, assuming cancellation of the order prior to delivery. The total dollar value of the ordered goods or services should then be incorporated under the scope of the post-sanction Master AFE.

- 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 will be 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.

Transfer of funds between Master AFE's may be practical in some cases; however the authority to make such a transfer is restricted to the President & CEO.

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

- A4 Requisition** - Authorization to commit any funds approved under an existing AFE requires approval of a Requisition by a Budget Holder, except that 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 the approved AFE. As Budget Holder for interest costs during construction, the General Manager Finance (Lower Churchill) will be responsible for the monitoring and stewardship of budgeted funds for this cost category. An approved Requisition provides the authorization to undertake a specific scope of work.

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 the scope 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. NE-LCP personnel with approval authority are accountable for the expenditures associated with Requisitions they approve. When multiple levels of approval are required, the individual providing the final level of approval is ultimately accountable.

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. In such cases 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 Variation to the Contract/PO. Changes and adjustments to the value of the Requisition must be approved in accordance with the AAL Matrix, based on the cumulative value of the revised Requisition.

C1 Commitment Authority - Commitment Authority cannot be exercised in the absence of an approved Requisition. Financial Commitment authority is delegated to and managed by Supply Chain management and can be further delegated to members of the Supply Chain team as it pertains to their respective areas of Responsibility. Commitment approval authority may be delegated to the Budget Holder at the discretion of the Supply Chain Manager.

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

C1.1 Expressions of Interest (EOI) – 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 possible award of a Contract/PO for the provision of goods and/or services. Approvals are the 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 represented by a detailed and documented evaluation and recommendation from the evaluation team as to the 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. For Post Sanction, when an Award Recommendation is valued between \$50,000M and \$100,000M, it will require approval from both the VP LCP and the VP Finance & CFO.

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. **Single Source Justifications will also require approval from the Supply Chain Manager and the Project Director.**

C1.5 Variation – A Variation 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. For Post Sanction, when a Variation results in a revised Requisition value between \$50,000M and \$100,000M, it will require approval from both the VP LCP and the VP Finance & CFO.

Subject to acceptance by the Change Control Board, internal management approval to spend additional funds is secured using a revised Requisition, signed by the appropriate AAL. In these instances, the AAL Authority limits will be applied based on the cumulative value of Requisitions associated with the Financial Commitment.

C1.6 Master Services Agreement (MSA) – Master Services Agreements will be used to facilitate the administration of varying and distinct scopes of work under consistent terms and conditions (e.g. provision of technical studies, provision of legal or personnel services, helicopter usage, etc.). 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.

There is no upper limit on the Master Services Agreement, as these agreements are to be structured such that its execution does not create a financial commitment on behalf of Nalcor. A separate Requisition with a specified amount is required before Financial Commitments for particular work scopes can be initiated under the MSA. Financial Commitments under that Requisition are accomplished via a PO or WTO (PAA for the EPCM Contract).

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

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

The aggregate value of a WTO cannot exceed the approved Requisition value. 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.

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

C2 Corporate Purchasing Card - The corporate purchasing card is issued to specific individuals to facilitate purchase of general sundries and consumables with a value less than \$1,000. In the case of business travel (e.g. airfares) the value can be greater than \$1,000. Travel authorizations, approved by the appropriate level of AAL, are required for all business travel prior to the scheduling of travel.

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 for a value greater than the related Financial Commitment (Contract/WTO/PAA/PO/Variation).

11.0 Emergency Expenditures

In the case of emergencies, expenditures may be incurred in the absence of an approved 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;

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

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.

Capital Expenditure Authorization Procedure

LCP-PT-MD-0000-FI-PR-0001-01

Rev. B1

A.1: Approval Authority Limits Matrix

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

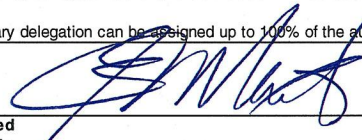
	Ref. #	Board of Directors	President & CEO	VP LCP	VP Finance & CFO	Project Director
AUTHORIZATION AUTHORITY						
Pre-Sanction AFE	A1	Unlimited				
Master AFE	A2	Unlimited				
Supplemental AFE	A3	Unlimited				
Requisition in respect of:	A4					
- Award Recommendation (Contract/PO)	C1.3		AFE Total	10,000	10,000	7,500
- Variation (Note 1)	C1.5		AFE Total	10,000	10,000	7,500
- Single Source (Note 2)	C1.4		AFE Total	7,500	7,500	5,000
- Work Task Orders (Note 3)	C1.6, C1.7		AFE Total	5,000	5,000	3,500
- Personnel Authorization Assignment (EPCM Contract)	C1.7		AFE Total	5,000	-	3,500
COMMITMENT AUTHORITY						
Contract/PO/WTO/PAA/Variation execution	C1	Execution must be preceded by an approved Requisition. Commitment Authority is managed by Supply Chain and may be delegated to the Budget Holder at the discretion of the Supply Chain Manager				
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:
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.


Approved
Ed Martin
President & CEO

Date March 2, 2012

**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. Commitment Authority is managed by Supply Chain and may be delegated to the Budget Holder at the discretion of the Supply Chain Manager					
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.


 Approved
 Ed Martin
 President & CEO

Date March 2, 2012

**LOWER CHURCHILL PROJECT - APPROVAL AUTHORITY LIMITS MATRIX
PHASE I - MUSKRAT FALLS (POST-SANCTION)
(\$,000 CDN)**

	Ref. #	Project Manager Muskrat Falls Generation	Deputy Project Manager	HydroElectric Construction Specialist	Area Manager Infrastructure	Area Manager Bulk Excavation and Dams	Area Manager Powerhouse Intake and Spillway	Area Manager N. Spur Stab., Reservoir Clearing, Habitat Compensation	Area Manager Mechanical and Electrical	Muskrat Falls Site Manager	Engineering Deliverables Manager	Engineering Manager Hydro
AUTHORIZATION AUTHORITY												
Pre-Sanction AFE	A1											
Master AFE	A2											
Supplemental AFE	A3											
Requisition in respect of:	A4											
- Award Recommendation (Contract/PO)	C1.3	2,000	-	-	-	-	-	-	-	250	-	-
- Change Order (Note 1)	C1.5	2,000	-	-	-	-	-	-	-	250	-	-
- Single Source (Note 2)	C1.4	1,000	-	-	-	-	-	-	-	-	-	-
- Work Task Orders (Note 3)	C1.6, C1.7	1,000	-	-	-	-	-	-	-	250	-	-
- Personnel Authorization Assignment (EPCM Contract)	C1.7	-	-	-	-	-	-	-	-	-	-	-
COMMITMENT AUTHORITY - NOTE 5												
Contract/PO execution	C1.3	2,000	-	-	-	-	-	-	-	250	-	-
Change Order	C1.5	2,000	-	-	-	-	-	-	-	250	-	-
Single Source	C1.4	1,000	-	-	-	-	-	-	-	-	-	-
Work Task Orders	C1.6, C1.7	1,000	-	-	-	-	-	-	-	-	-	-
Personnel Authorization Assignment (EPCM Contract)	C1.7	-	-	-	-	-	-	-	-	-	-	-
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 (in the aggregate) of the Financial Commitment										

Note 1:

Approval of each Change Order is based on the cumulative value of the Requisition associated with the Financial Commitment subject to Change Order.

Note 2:

All Single Source justifications must also be approved by the Project Director (as it pertains to development, construction, testing and commissioning of a Project Component) or the VP Finance & CFO (as it pertains to debt and equity financing, Project related corporate commercial contracts or Gull Island activities) 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:

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.

Note 5:

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) 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.

Approved
Scott O'Brien
Project Manager - Muskrat Falls Generation

Date

15-Aug-2013

**LOWER CHURCHILL PROJECT - APPROVAL AUTHORITY LIMITS MATRIX
PHASE I - MUSKRAT FALLS (POST-SANCTION)
(\$,000 CDN)**

	Ref. #	General Project Manager - MF, LTA & LITL	Project Manager Muskrat Falls Generation	Project Manager HVdc Specialities	Deputy General Project Manager	Environment and Regulatory Compliance Manager	Quality Assurance Manager	HSS&ER Manager	Ready for Operations Manager	Project Controls Manager
AUTHORIZATION AUTHORITY										
Pre-Sanction AFE	A1									
Master AFE	A2									
Supplemental AFE	A3									
Requisition in respect of:	A4									
- Award Recommendation (Contract/PO)	C1.3	25,000	2,000	2,000	2,000	-	-	-	-	-
- Change Order (Note 1)	C1.5	25,000	2,000	2,000	2,000	-	-	-	-	-
- Single Source (Note 2)	C1.4	10,000	1,000	1,000	1,000	-	-	-	-	-
- Work Task Orders (Note 3)	C1.6, C1.7	5,000	1,000	1,000	1,000	-	-	-	-	-
- Personnel Authorization Assignment (EPCM Contract)	C1.7	5,000	-	-	-	-	-	-	-	-
COMMITMENT AUTHORITY - NOTE 5										
Contract/PO	C1.3	25,000	2,000	2,000	2,000	-	-	-	-	-
Change Order	C1.5	25,000	2,000	2,000	2,000	-	-	-	-	-
Single Source	C1.4	10,000	1,000	1,000	1,000	-	-	-	-	-
Work Task Orders	C1.6, C1.7	5,000	1,000	1,000	1,000	-	-	-	-	-
Personnel Authorization Assignment (EPCM Contract)	C1.7	5,000	-	-	-	-	-	-	-	-
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 (in the aggregate) of the Financial Commitment								

Note 1:

Approval of each Change Order is based on the cumulative value of the Requisition associated with the Financial Commitment subject to Change Order.

Note 2:

All Single Source justifications must also be approved by the Project Director (as it pertains to development, construction, testing and commissioning of a Project Component) or the VP Finance & CFO (as it pertains to debt and equity financing, Project related corporate commercial contracts or Gull Island activities) 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:

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.

Note 5:

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) 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.



Approved
Ron Power
General Project Manager - MF, LTA & LIL

15-AUG-2013

Date