

**PCN-0706      Creation of a Commitment Package for Potential Costs Associated with Future Protests at the Muskrat Falls Site**

**Section 1: Request for Proposed Change**

CM X-Ref.	DAN-2349, DAN-2386, DAN-2259, DAN-1537, DAN-1234, DAN-0582, PCN-0690	Date Originated	16 Jan 2017
		Originator	Krista Hudson
Origin		Package Leader / Engineer	
		Area Manager	Dave Pardy
<input checked="" type="checkbox"/> Internal PMT <input type="checkbox"/> Contractor/Supplier <input type="checkbox"/> Other Nalcor <input checked="" type="checkbox"/> Construction Site Event <input type="checkbox"/> SNC-Lavalin <input checked="" type="checkbox"/> Other External <span style="border: 1px solid black; padding: 2px;">Demonstrations/Protests</span>		Scope / Project Manager	Scott O'Brien
		Current Status	Under Review
		Revision	0
		TL 267 Project	<input type="checkbox"/>

Agreement No.	Description
N/A	Not Applicable

**Description**

This PCN is to document and formalize a decision to create a new commitment package for management and tracking of costs associated with potential future protests at the Muskrat Falls Site. The package will be called SH0072 - Muskrat Falls Site Protest Costs.

This PCN is to also request approval for the transfer of \$4M CAD from MF Project Contingency (5.3.990.0000.0699.99.02) to three control accounts specifically created for the management and tracking of protest related costs, 5.3.526.2100.0207.14.00 MF Direct Construction Charges Resulting from Protest Activities (for package SH0072), 5.3.121.0000.0101.02.00 - External and 3rd Party Costs Related to Protest Activities (for Owners Team Costs, XX0100) and 5.3.121.0000.9000.04.00 - LCP PMT Salaries related to MF Protest Activities (for Owners Team Costs, XX0100).

As with previous protest events, there is a high potential that existing contracts will also be utilized to provide assistance and services to respond to a protest event (for example, obtaining additional security resources under SH0019-001). Where possible, separate POs under SH0072 will be issued, however, if support from existing Contractors must be obtained via issuing a contract change (i.e. FWO, CR, CO, etc.), the Budget Transfer Authorization form (BTAF) will be used to facilitate budget transfers from SH0072 to the appropriate package as necessary. This procedure is defined in more detail in the Implementation Plan.

## Project Change Notice

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### Rationale

There have been a number of protest events at the Muskrat Falls Site which have been documented with various DANs/PCNs and there is a high potential there will be additional protests in the future. There is often a requirement to source adhoc supplies and services (such as transportation, security, fuel, catering, etc.) in order to respond to such events and, to date, because of the urgent nature of the situation, these costs have been incurred as changes to existing packages with the budgetary implications having to be addressed following the event. There is therefore a need to establish a specific commitment package and control account to allow the Muskrat Falls Site Team the flexibility to manage the event.

A budget of \$4M is being requested at this time. Details regarding how this budget is intended to be allocated can be found in the Cost Control section.

When it is necessary to do so, using the Budget Transfer Authorization form process to facilitate budget transfers from SH0072 to other existing contracts for the provision of services to respond to a protest event will allow for the timely allocation of required budget without the need to have in place an approved PCN for each budget transfer required but will still ensure the proper management approvals are in place.

### Benefits

1. Assist in having the majority of direct protest costs tracked under one package and thus having the appropriate cost code assigned to it.
2. Improve our ability to understand the historical direct cost associated with protest activities.
3. Efficiently facilitate payment to contractors.

## Project Change Notice

### Section 2: Impact of the Proposed Change to Project

#### Categorization

- Scope Addition/Deletion
- Scope Modification
- Non-Scope Change

#### Affected Project Component

- Muskrat Falls Generation
- Labrador Transmission Assets
- Labrador - Island Tx Link
- Maritime Link
- Nalcor PM
- Other

*GC*  
Cost Control Account Summary

Cost Control Account	Description	Estimated Cost
5.3.121.0000.0101.02.00	External and 3rd Party costs related to protest activities	\$1,100,000
5.3.121.0000.9000.04.00	LCP PMT Salaries related to MF Protest Activities	\$250,000
5.3.526.2100.0207.14.00	MF Direct Construction Charges resulting from Protest Activities	\$2,650,000
5.3.990.0000.0699.99.02	MF Project Contingency	(\$4,000,000)
<b>Total Estimated Cost</b>		<b>\$0</b>

#### Direct and Indirect Impact by Change Analysis Team

Basis of Design

Construction

Having a package in place with budget available to manage direct protest costs will allow Muskrat Falls Site Management to appropriately respond to a protest event and minimize disruption at the site.

Contracts/Procurement

In order to allow the Muskrat Falls Site Team to track and cover direct costs associated with protest events, a package number will be created and budget allocated to it under a control account code specifically created for protest related costs.

This package will operate in a similar fashion as SH0051 for Site Services whereby various POs would draw down on the budget allocated within the package and on an approved requisition for the package. This package number will only be used for protest related cost. Each PO will require a site requisition signed off by the Site Manager or an approved delegate. The terms of the POs can easily refer back to an existing contract or master PO with each Contractor.

For protest costs that are incurred under existing contracts / POs and it is not possible to issue a new PO under SH0072, COs / PO amendments will be issued as required. Under these circumstances, to facilitate the required budget transfers from SH0072 to cover the costs associated with these COs / PO amendments, the Budget Transfer Authorization form will be used. Reference the Implementation Plan for more details on this process.

External and Third Party Costs that are considered part of the Owners Team budget will require individual POs / WTOs and requisitions be prepared.

*GC*  
 Cost Control

Reviewed By *J. [Signature]*

Date Reviewed: *13 APR 17*

Project Change Notice

A budget transfer of \$4M CAD from MF Project Contingency (5.3.990.0000.0699.99.02) is required (\$2.65M to SH0072 - Muskrat Falls Site Protest Costs and \$1.35M to XX01000 NE-LCP Owners Team). Budget under each CCA will be allocated as follows:

SH0072: 5.3.526.2100.0207.14.00 MF Direct Construction Charges Resulting from Protest Activities

- Transportation: \$1,400,000 CAD
- Security: \$500,000 CAD
- Services (Catering, Fuel, etc.): \$600,000 CAD
- Other Services for the Continuation of Construction Activities: \$100,000 CAD
- Miscellaneous: \$50,000 CAD

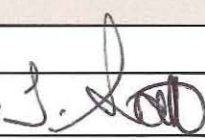
XX0100: 5.3.121.0000.0101.02.00 - External and 3rd Party Costs Related to Protest Activities

- Transportation: \$200,000 CAD
- Security: \$500,000 CAD
- Services (Catering, Fuel, etc.): \$350,000 CAD
- Miscellaneous: \$50,000 CAD

XX0100: 5.3.121.0000.9000.04.00 - LCP PMT Salaries related to MF Protest Activities

- Salaries: \$250,000

Budget under 5.3.526.2100.0207.14.00 will be reserved within package SH0072 for transfer to applicable construction packages as required via the utilization of an approved BTAF. \$1,500,000 will be on an approved blanket requisition for the issue of new POs under SH0072 as required. As noted above, individual site requisitions will be required for each new PO.

<input type="checkbox"/>	Design Philosophy	
<input type="checkbox"/>	Environment and Regulatory Comp.	
<input type="checkbox"/>	Execution Approach	
<input type="checkbox"/>	Health & Safety	
<input type="checkbox"/>	Operations/Reliability	
<input type="checkbox"/>	Property and Lands	
<input type="checkbox"/>	Quality	
<input type="checkbox"/>	Reputation	
<input type="checkbox"/>	Schedule	Reviewed By  Date Reviewed: 13 Apr 17
N/A		
<input type="checkbox"/>	Other	



**Section 3: Risk Screening**

N/A:

	Low	Medium	High
Risk Pre-Change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
With Proposed Change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Janyia Power</i>			
Risk Coordinator			Date
			<i>13-Apr-2017</i>

**Comments**

No impact on risk. PCN is for the creation of a new package and assignment of a budget to allow the MF Site Team flexibility required to respond to a protest event and accurately track protest related costs.

\* Reference Project Risk Management Plan for risk screening guidelines.

Whereas a risk assessment is not appropriate / applicable to this change, completion of the risk matrix is not required and therefore not included in this PCN printout.

**Section 4: Implementation Plan**

**Implementation Strategy**

## Project Change Notice

Upon approval of this PCN, a MNCP will be issued to create a new package, SH0072 - Muskrat Falls Site Protest Costs, and the Master Package Dictionary will be updated. A package dictionary will not be created for this package.

The budget transfer as detailed in the CCA Table under "Impact Details" will have to be completed. The blanket requisition for SH0072 can be approved. The requisition will include \$1.5M budget under CCA 5.3.526.2100.0207.14.00 for new POs required to respond to protest events.

Package SH0072 will be managed similar to other site purchasing packages such as XXSMFG MF Site Purchase Orders and SH0051 Site Maintenance. A procedure has been developed for Site Purchases and is available in Aconex (LCP-PT-MD-0000-SC-PR-0002-01). When a protest event occurs and there is a requirement to purchase goods or services to respond to the event, site requisitions will be utilized to draw down against the approved budget and all requests for purchases are supported by a requisition identifying the Originator, and if applicable, it is approved by the Originators manager and then the Site Manager or an approved delegate. POs are issued and commitments and incurred costs are tracked through PM+. The process is managed by the Site Buyer and Site Manager.

For the provision of services under existing construction Contracts / POs, where possible, separate POs will be issued under SH0072 as per the process noted above. In situations where this is not possible, the Budget Transfer Authorization form will be used. In this case, in the event of a protest, a DAN will be raised to document the event and associated costs. Budget transfers from SH0072 to existing Contracts / POs will be required to allocate the required budget for provision of services required to respond to the event. Budget Transfer Authorization forms (Attachment 01) will be completed. All budget transfers will be signed off by Budget Holder and the MFG Project Controls Lead. These approved BTAFs will be attached to the specific DANs. An internal log will also be maintained to track all budget transfers to and from the affected packages. An approved scope change report to document the budget transfer will be attached to the applicable DAN.

Requisitions will be updated as required.

All DANs related to the scope noted above will be linked to this PCN.

For External and 3rd Party Costs Related to Protest Activities under XX0100 NE-LCP Owners Team, individual POs / WTOs and requisitions be prepared as required.

A budget of \$250,000 has also been allocated under XX0100 NE-LCP Owners Team for LCP PMT Salaries related to MF Protest Activities. This budget is not actually intended for costs associated with LCP-PDT support to protest activities, as this is already accounted for within existing MFL control accounts (reference PCN-0690). This budget is for potential requirement for support from Nalcor Corporate by personnel that are not part of the LCP-PDT and thus, not included as part of the MFL budget.

The two other Lower Churchill Project assets, LITL and LTA, were considered for the development of this package. However, it was determined that these assets did not need to be included at this time and that separate DANs/PCNs would be created for future protest costs incurred by these assets, if required.

### Actions

Action	Actionee	Status
Issue update(s) to LCP Master Package Dictionary	Scott Gillis	Incomplete
Create / revise current requisition	Stephanie Stewart	Incomplete
Revise PCN as required	Stephanie Stewart	Incomplete
Update Current Control Budget in PRISM	Brian Marsh	Incomplete
Update Current Control Budget in PM+	Jill Hawkins	Incomplete
Issue MNCP to create new Package	Stephanie Stewart	Incomplete

## Project Change Notice

### Documents

Name	File Name
Attachment 01	Attachment 01 - Budget Transfer Authorisation Form.pdf
Attachment 02	Attachment 02 - Budget Transfer Authorisation Register.pdf

### Process References

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### Additional Review

		Date
Area Manager	N/A	N/A
Component Change Management Coord.	Stephanie Stewart	12-Apr-2017
Component Project Controls Lead	[Signature]	13 Apr 17
Component Deputy Project Manager	[Signature]	20 April 2017



**Section 5: Distribution**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Originator                       | <input checked="" type="checkbox"/> GENERATION - General Project Manager |
| <input type="checkbox"/> Package Leader/Engineer                     | <input checked="" type="checkbox"/> GENERATION - Project Director        |
| <input checked="" type="checkbox"/> Area Manager                     | <input checked="" type="checkbox"/> POWER DEVELOPMENT - Executive VP     |
| <input checked="" type="checkbox"/> PM Muskrat Falls Generation      |  |
| <input checked="" type="checkbox"/> PM HVdc Specialties              | <input type="checkbox"/> TRANSMISSION - Deputy Gen. Proj. Man.           |
| <input checked="" type="checkbox"/> PM HVac & HVdc                   | <input type="checkbox"/> TRANSMISSION - General Project Manager          |
| <input type="checkbox"/> PM Marine Crossing                          | <input checked="" type="checkbox"/> TRANSMISSION - Project Director      |
| <input checked="" type="checkbox"/> Project Controls Manager         | <input checked="" type="checkbox"/> POWER SUPPLY - Executive VP          |
| <input checked="" type="checkbox"/> Supply Chain Manager             |  |
| <input checked="" type="checkbox"/> HSS & ER Manager                 | <input type="checkbox"/> Building the Prod. Org. (BTPO) Manager          |
| <input checked="" type="checkbox"/> Quality Manager                  | <input type="checkbox"/> Ready for Integration (RFI) Manager             |
| <input checked="" type="checkbox"/> Environment & Reg. Comp. Manager | <input type="checkbox"/> TRANSITION TO OPERATIONS (TTO) - VP             |
| <input type="checkbox"/> Commercial Manager                          | <input type="checkbox"/> Other   |
| <input type="checkbox"/> Completion Manager                          | <input type="checkbox"/> <input type="text"/>                            |
| <input type="checkbox"/> Technical & Design Integrity Manager        | <input type="checkbox"/> Other   |
| <input type="checkbox"/> General Manager Finance - LCP               | <input type="checkbox"/> <input type="text"/>                            |
|  | <input type="checkbox"/> Other   |
|  | <input type="checkbox"/> <input type="text"/>                            |

**Section 6: Acceptance Phase**

Decision			
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Rejected/Cancelled	Decision Date	01-May-2017
<b>Functional Management</b>		<b>Organizational Management</b>	
<input checked="" type="checkbox"/>	<i>P. Deuyler</i> Project Director - MFG	<i>1 May 2017</i> (Date)	<input checked="" type="checkbox"/>
			<i>DT for SoDare</i> Project Manager - MFG
			<i>20-Apr-2017</i> (Date)
<input checked="" type="checkbox"/>	<i>Janyo Power</i> Project Controls Manager	<i>13-Apr-2017</i> (Date)	<input checked="" type="checkbox"/>
			<i>M. Pan</i> Deputy Project Director - MFG
			<i>21-APR 2017</i> (Date)
<input checked="" type="checkbox"/>	<i>[Signature]</i> Supply Chain Manager	<i>21 Apr 2017</i> (Date)	<input type="checkbox"/>
			POWER DEVELOPMENT - Executive VP (Date)
<input type="checkbox"/>	HSS & ER Manager	(Date)	
<input type="checkbox"/>	Quality Manager	(Date)	<input type="checkbox"/>
			TRANSMISSION - Dep. Gen. Proj. Manager (Date)
<input type="checkbox"/>	Environment & Reg. Comp. Manager	(Date)	<input type="checkbox"/>
			TRANSMISSION - Gen. Project Manager (Date)
<input type="checkbox"/>	Commercial Manager	(Date)	<input type="checkbox"/>
			TRANSMISSION - Project Director (Date)
<input type="checkbox"/>	Completion Manager	(Date)	<input type="checkbox"/>
			POWER SUPPLY - Executive VP (Date)
<input type="checkbox"/>	Technical & Design Integrity Manager	(Date)	
<input type="checkbox"/>	General Manager Finance - LCP	(Date)	<input type="checkbox"/>
			Building the Prod. Org. (BTPO) Manager (Date)
<input type="checkbox"/>	Other	(Date)	<input type="checkbox"/>
			Ready for Integration (RFI) Manager (Date)
<input type="checkbox"/>	Other	(Date)	<input type="checkbox"/>
			Ready for Integration (RFI) Manager (Date)
<input type="checkbox"/>	Other	(Date)	

**Section 7: Close-Out**

Implementation Status Complete:

**Signoff:**

**Change Management Lead:**

**Date:**

**Scope/Project Manager:**

**Date:**