

From: [Martin, Craig](#)
To: [Bown, Charles W.](#)
Subject: FW: Nalcor - Final Document Request Recommendation
Date: Monday, July 21, 2014 3:22:06 PM
Attachments: [image001.png](#)
[Final Document Request Recommendation Materiality Criteria v5.docx](#)

FYI

From: Richard Noble [mailto:richard.noble@ca.ey.com]
Sent: Sunday, July 20, 2014 3:42 PM
To: Martin, Craig
Cc: David Steele; Emiliano Mancini
Subject: FW: Nalcor - Final Document Request Recommendation

Dear Craig,

Please find attached the updated a response to Nalcor's proposed amendment to Document Request List.

While some of the proposed clarification of terms were included, a majority of the deleted documents deleted by Nalcor have been reinstated.

Nalcor's PCO rep (Ed Busch) had confirmed that the data requested is available and is "what he would expect". Any concerns with regards to the sensitivity of detailed and more comprehensive requested information and the use by the Working Group/Oversight committee may be perhaps partially solved by a dialogue concerning the protocols for each monthly/quarterly cycle and handling matters raised.

In addition, the concept of Materiality has been introduced into the list requiring detail for the Material items and summary for less material items. Materiality criteria would need to be discussed and finalized with Nalcor and this too may help with the dialogue and there comfort in the process.

Looking forward to seeing you tomorrow.

Best regards,

Richard

From: Emiliano Mancini
Sent: July-19-14 5:06 PM
To: Richard Noble; David Steele
Subject: Nalcor - Final Document Request Recommendation

Dear Richard and David,

Please find attached updated version of the Final Document Request Recommendation for Nalcor.

Regards,



Emiliano Mancini | Manager | Advisory Services

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Final Document Request Recommendation

1. Cost Information

- a. Baseline Budget with Basis of Estimate (DG3 Estimate) and June 2014 revision
- b. Cost report showing in period and cumulative data for the following: Budget (Baseline, Change Approved, Changes Pending (with status), Cost to Complete, Final Forecast Cost, Variance
- c. Contingency draw log, report of planned vs. consumed contingency
- d. Performance graphs showing performance, trend and/or forecast where management has this information
- e. Contract and Work Package level cost reporting including: original commitments, approved changes, pending changes (with status), revised commitments, invoiced and incurred to date.
 - i. Detail shall be provided for all material contracts
 - ii. Summary level for all other contracts
 - iii. Note: CPI (period and cumulative) is required where that information is being tracked on a contract.
- f. Rolling cash flow– forecast and planned versus actual
- g. PFA Funding Request/Log for tracking funding draws. (Including record of all Liens as noted in McInnes Cooper report)
- h. Variance analysis and corrective action for all material cost variances.

Commented [1]: Overall, the detail deleted in Nalcor's response is required. Without this data, the oversight will not be effective. Ed Busch confirmed the data exists and that the requests were what he would expect. However, in this version, differentiation has been drawn between "material" items (requiring detail) and less material items for which only a summary will be required... The process for handling those less material items should be verified at least on a sample basis.

Nalcor Clarifications of terms or specific sources of data have in general been accepted as proposed.

Commented [2]: "Changes pending" has been reinstated... as this gives an indication of proposed changes that risk impacting cost, scope and schedule... the objective is "no surprises" culture which will benefit the Gov NL and Nalcor relationship

Commented [3]: First example where material contracts/WPs require detail and summary is required for other

Commented [4]: We understand from our meeting with Ed Busch that that CPI and earned value are tracked on one major contract... if this is extended to other material contracts we would want to see that material.

Commented [5]: The DAN's request previously included has been moved to the "other information as it spans both cost and schedule. The request has been made more specific using the material and non material categories... the DANs are essential, as these are indicators of possible cost& schedule changes.

Nalcor will need to have their concerns allayed as to the use of this information. It will be understood that DANs were yet to be qualified and/or resulting in approved changes... and that the issues will be handled sensitively.

Commented [6]: This was deleted by Nalcor... This is essential information which should allow verification of the schedule as reported, cross reference with cost and scope.

This information clearly exists... and is clearly required for effective oversight.

Commented [7]: The changes proposed by Nalcor for this document are accepted... however, this document needs to be accompanied by item b above in order to perform evaluation/verification

Commented [8]: The suggested addition of the need for materiality is accepted here... however, there must therefore also be an overall program summary (which was added) addressing the aggregate of material and non-material in order to have the full picture of progress.

Commented [9]: As with Cost, reference to DAN's as moved with qualification of the requirements to material and non-material. The requirement for indication of the management of variances was added in lieu.

2. Schedule Information

- a. Schedule Development & Control Plan including Schedule Specification, Basis of Schedule and Assumptions
- b. Updated Program Gantt Charts to Level 3 and Contractors/Work Package Gantt Charts to level 4 including with critical path, baseline, float, % complete, actual/forecast start, actual/forecast end date and predecessor/successor (full requirements for Gantt specifications to be provided)
- c. Integrated Program Schedule (IPS) report to Level 3 (where available) including: Schedule milestone report showing Baseline Finish, Actual/Forecast Start and Finish, Schedule Performance Index (where available), Variance, % Complete, Critical and Sub-Critical Path, Predecessor/Successor and Float analysis
- d. Performance Graph showing performance, trend and forecast where available for Program as a whole and each Material Contract/Work Package
- e. Variance and analysis and corrective action for all material schedule variances

3. Other Information

- a. Standard project monthly progress report (including Health & Safety, Environment, Community/Stakeholder, Scope & Change, Cost, Schedule, Quality, Risk and Contract reports)
- b. Progress reporting of Material contractors
- c. Resource profile and graphs/histograms (planned versus actual/forecast)
- d. Project WBS structure and dictionary
- e. Project policies, plans and procedures
- f. Project execution and contracting strategies
- g. Project risk register with updates
- h. PCNs & Change request/ order log(s)
- i. Claims log
- j. Project assurance plans – including internal and third party assurance
- k. Relevant assurance reports, as issued including Quality Management Metrics.
- l. Independent Engineer reports
- m. Notification of the award of:
 - i. Material Contracts
 - ii. Summary of awards (Value) of other contracts
- n. Issues log or other established reports for recording and managing issues
- o. Nalcor financial statements
- p. Deviation Alert Notices and accompanying scope, cost and schedule impact/control information:
 - i. For material deviations: Analysis and proposed management corrective captured in Deviation Alert Notices (DANs) listing and Change Control documentation
 - ii. Summary of DANs status for the program as a whole including summary of deviation alerts not captured under material deviations above.
- q. Other information as the Committee may from time to time require

Commented [10]: This has been reinstated... This information is available. It indicates the full risk status. It will be treated sensitively... but again "no surprises" requires transparency

Commented [11]: Liens register removed per Nalcor's suggestion, this is included in the Cooper McInnes report... and this clarification has been inserted above. (See funding draws)

Commented [12]: Nalcor clarification that PCN's capture changes has been included... the requirement for the Log of all Changes has been reinstated. This is a reasonably broadly used Project Control tool.

Commented [13]: Claims are potential drivers on project cost... this information will be available... so has been reinstated.

Commented [14]: Clarification of the handling of Material and non-material contracts per overall update.

Commented [15]: If Issues are handled by DAN's ... that information should be provided.

Commented [16]: This information is required... albeit it will be handled appropriately by the Working Group.

Protocols will also need to be established to deal with issues raised by the OC/WG oversight and review activities... this may help allay Nalcor's concerns.

Proposed Materiality Criteria

Materiality criteria should be aligned with authorities and agreed by both Government of NL and Nalcor. However “typical” have been proposed for both parties’ consideration.

A) A contract or work package is deemed material for the project if it meets one or more of the following criteria:

- The total value (including base value, change orders, extensions and addenda) is greater than or equal to TBD (\$50Million) or TBD (1%) of the total program cost.
- Is identified at TBD (level 3) or higher in the WBS and Schedules
- Is either on the critical path or a sub critical path with float less than 60 days
- Involves high risk activities TBD (confined space works, activity involving explosive blasting, excavation greater than 2 m)

B) A change or deviation is deemed material if it meets one or more of the following criteria:

- A change or deviation in work scope reduces the specified generator performance
- A change or deviation in work scope increases the operating cost by TBD (1%) or TBD (1Million p.a.)
- Provision for the change or deviation is not included in the contingency allocation at the last revised baseline
- It has an impact or potential impact of greater than or equal to TBD (1 Million) and/or TBD (1%) of the total (cumulative) project, contract and/or work package value
- It has an impact or potential impact of greater than or equal to TBD (5%) of the in period cost for the project, contract and/or work package value
- It has an impact to the full program duration and/or critical path
- It has an impact or potential impact of TBD (one month) to the duration of the contract and/or work package duration
- It reduces total float on a sub critical path below TBD (60 days)
- It has impacts or potential impacts on multiple work packages and / or contracts