

**The Nalcor Group of Companies**  
**2013 Budget Guidelines**

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The guidelines for 2013 budget preparation are outlined below. The annual budget process provides the opportunity for a comprehensive strategic and operational review. The output of the process is the financial budget for the coming year and will be used in communications with our board of directors, various financial institutions and the provincial government. It is therefore important that you consider all known factors in creating an accurate budget and provide sufficient detail to support your budgets. This document is intended to outline key dates and assumptions and procedures related to the overall budget cycle. Additional instructions and time tables will be provided by the Line of Business Controllers as required.

**Highlights:**

- 2013 O&M budgets will be completed using Clarity and based on escalation from 2012. (See attached details on 2013 Budget O&M Guidance)
- Human Resources will provide the 2013 salary estimates for all permanent and temporary positions. However, all temporary estimates will have to be confirmed and justified. Details on 2013 salary estimates will be available August 31<sup>st</sup> in Clarity.

**Summary of key dates:**

- Salary templates completed by **September 14<sup>th</sup>**.
- 2013 Capital budgets should be forwarded to Capital Asset Accounting to the attention of [REDACTED] by **September 21st**
- O&M budgets to be completed by **September 28th**
- Line of Business (LOB) Budget Presentation due **October 5<sup>th</sup>**
- Budget review with General Manager Finance & Corporate Services – **October 15-16** (Proposed dates)
- Budget presentation with CEO – **October 29-31** (Proposed dates)

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**1.0 Budget Timetable**

<b>Date</b>	<b>Activity</b>	<b>Responsibility</b>
<b>Salaries</b>		
Sep 14	Salary Templates completed	Managers & Budgetary Contact
<b>O&amp;M</b>		
Sep 28	Clarity O&M budgets templates completed	Managers & Budgetary Contact
<b>Capital Budgets</b>		
Sep 21	All Capital budget proposals submitted to Capital asset Accounting.	Managers & Budgetary Contact
<b>Revenue</b>		
Sep 28	Revenue Budget to Financial Reporting (FR)	LOB Controllers
Sep 28	Clarity Revenue templates completed	LOB Controllers
<b>Depreciation</b>		
Sep 28	Depreciation & Amortization in Clarity	Capital Assets & LOB Controllers
<b>Gain or Loss</b>		
Sep 28	Gain & Loss Estimates in Clarity	Capital Assets
<b>Capital Cash Flow</b>		
Sep 28	Capital budget cash flow to FR	Capital Assets
<b>Rental &amp; Royalty Expense</b>		
Oct 1	Rental & Royalty in Clarity	
<b>Interest</b>		
Sep 21	Debt repayments to Financial Reporting	Treasury
Oct 5	Cash flows to Treasury	Financial Reporting
Oct 10	Interest expense template completed	Treasury
<b>Budget Package</b>		
Oct 5	Budget Package submitted to Finance	LOB Controllers
<b>Financial Statements</b>		
Oct 11	Forecast BS to Dec 31 with July actuals	Financial Reporting
Oct 12	Financial Statements by LOB	Financial Reporting
Oct 15	Consolidated Financial Statements	Financial Reporting
<b>Budget reviews with General Manager (Proposed)</b>		
Oct 15	BAF, Energy Marketing / LCP	Controllers Group, General Manager Finance, VP
Oct 15	Oil and Gas	Controllers Group, General Manager Finance, VP
Oct 16	Churchill Falls / Twin Falls	Controllers Group, General Manager Finance, VP
Oct 16	Nalcor	Controllers Group, General Manager Finance, VP
<b>Budget reviews with CEO (Proposed)</b>		
Oct 29	Oil and Gas	Controllers Group, CEO, CFO, VP

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Oct 29	Bull Arm Fabrication	Controllers Group, CEO, CFO, VP
Oct 30	Energy Marketing & LCP	Controllers Group, CEO, CFO, VP
Oct 30	Churchill Falls	Controllers Group, CEO, CFO, VP
Oct 31	Nalcor	Controllers Group, CEO, CFO
<b>Budget Package</b>		
Nov 14	Budget package for BOD	Financial reporting

**2.0 Guidelines**

**O&M (see attached O&M memo for further details)**

A base budget will be provided by Finance in Clarity and the Business Units will be responsible for providing details supporting the necessary changes. See attached O&M guidance for additional details.

**Contacts**

Budgetary responsibility / contacts are as follows:

Dept	Nalcor	CF	Energy Mkting	Twin Falls	Oil and Gas	Bull Arm	LCP
Executive	██████████						
Human Resources	██████████						
Finance	██████████						
Project Execution	██████████						
Regulated Operations							
NR Business Units	██████████						
Menihek	██████████						
Exploits	██████████						
Operations / Admin		██████	██████	██████	██████	██████	██████

Contact Telephone #'s	██████████	██████	██████	██████	██████	Ball	
Ext.:	██████	██████	██████	██████	██████		

### **O&M Forecast**

Any references to the 2012 forecast as a comparative figure will include the actual results for the **seven months ended July 31, 2012** plus the forecast for the remaining five months of 2012.

### **Entering budgets in JDE**

Budgets will be entered in JDE electronically through budget upload feature from Clarity. Final budgets will be uploaded by the Controller's department after sign-off from the Board of Directors.

### **Budget Presentation**

A Power Point template outlining the required information will be provided to each LOB Controller by **September 21<sup>st</sup>**. This template should be completed and returned to [REDACTED] by end of day on **October 5<sup>th</sup>**. This presentation will be reviewed with the Leadership team on the scheduled time table dates.

### **Capital Budget**

For the preparation of your Capital Budget, please use the Capital Budget Proposal form found on the Lotus Notes Forms Database.

To assist you with your Capital Budget requirements, please contact:

[REDACTED] [REDACTED]

## 2013 Budget O&M Guidance

A revised budget process putting the emphasis on change in budget from one year to the next has been developed. The new approach is designed to reduce business unit owners input with a concentration on items that are considered to be new yearly costs such as professional services, operating projects and temporary salaries. The process is also designed to expedite the review process with a focus on mostly new budgetary items.

### Budget 2013 Methodology:

Budget will be broken into **3 components**:

1. **Salaries** – Salary increments for all current 2012 Permanent and Temporary salaries to be completed by HR.
2. **Base Budget** (excluding salaries and associated benefits) will be based on 2012 budgeted costs escalated by an inflation index of 2.2%. Base budget is available in Clarity (**Budget 2013 V3**).
3. **Professional Services and Operating Projects** – will be zero-based and all requests will need to be submitted and justified.

### Requirements from Business Unit managers:

- Update Salary Template in Clarity  
Request any additional permanent positions and confirm any temporary position requirements.
- Complete Professional Services request template  
All Professional Services must be specifically requested.
- Complete Other Requests template (if required)  
Template should be completed if you are requesting any additional expenditures above the base budget.

Any concerns or questions can be addressed to [REDACTED].

# Budget 2014 Instructions

## Nalcor Group of Companies

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### 1.0 Overview

#### 1.1 Introduction

The guidelines for 2014 budget preparation are outlined below. The annual budget process provides the opportunity for a comprehensive, strategic and operational review. The output of the process is the financial budget for the coming year and will be used in communications with our Board of Directors, various financial institutions, and the provincial government. *It is therefore important that you consider all known factors (such as various cost drivers and activities) in creating an accurate budget and provide sufficient detail to support your estimates.*

Support for all costs should be available; however, all costs above 2.2% escalation over the August 2013 forecast will be specifically highlighted during the review process. Where possible, costs should be maintained within an overall increase of 2.2% or less.

#### 1.2 Highlights

- The following Clarity templates will be used to facilitate the budget process:
  - Salary Budget Template (Perm and Temp)
  - Professional Services & Training Template (various cost types available in the template)
  - Main Activity template (input for Operating Projects)
- The 2014 ledger type Budget V1 will be available for input in the Non-Maintenance Budget Template in Clarity on July 9th.

#### 1.3 Summary of Key Dates

Deadline	Requirement
August 30th	Salary templates completed by BU Managers & Site Service Administrators
September 10th	2014 Capital budgets should be forwarded to Capital Asset Accounting to the attention of Cathy Vokey
September 13th	All O&M budgets to be completed
October 10th	Line of Business (LOB) Budget Deck submitted to Finance
October 17th - 18th	Budget review with General Manager Finance & Corporate Services
TBD (Oct 21st - Oct 31st)	Budget presentation with CEO
November 13th	Budget package for the Board of Directors completed

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### 1.4 Budget Contacts

Questions on the 2014 budget process or these instructions can be directed to [REDACTED]

### 1.5 Budget Timetable - [Appendix A](#)

### 1.6 Budget Requirements - [Appendix B](#)

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**APPENDIX A**

**BUDGET TIMETABLE**

<b>Date</b>	<b>Activity</b>	<b>Responsibility</b>
<b>Salaries</b>		
Jul 31	Salary Budget Template available	Corporate
Aug 30	Salary templates completed	BU Managers & Site Service Administrators
<b>Capital Budgets</b>		
Sep 10	All capital budget proposals & annual expenditures (O&G) submitted to capital asset accounting.	O&G Controller and Coordinators of LCP, PETS & Exploits
<b>O&amp;M</b>		
Sep 13	Non-maintenance, Main Activity and Professional Services/Training clarity templates complete	BU Managers & Site Service Administrators
<b>Revenue</b>		
Sep 20	Ensure revenue budget updated in Clarity	LOB Controllers
<b>Fuel &amp; Power Purchases</b>		
Sep 20	Ensure power purchases updated in Clarity	LOB Controllers
Sep 20	Diesel Fuel & Bunker C updated in Clarity	LOB Controllers
<b>Depreciation &amp; Depletion</b>		
Sep 20	Depletion in Clarity	Capital Assets & LOB Controllers
Sep 27	Depreciation & Amortization in Clarity	Capital Assets & LOB Controllers
<b>Gain or Loss</b>		
Sep 27	Gain & Loss estimates in Clarity	Capital Assets & LOB Controllers
<b>Capital Cash Flow</b>		
Sep 27	Capital budget cash flow to Corporate	Capital Assets & LOB Controllers
<b>RSP</b>		
Sep 27	Ensure RSP calculations are updated in Clarity	Corporate
<b>Interest</b>		
Sep 30	Interest calculation (other than short term)	Treasury
<b>Preferred Dividends</b>		
Sep 30	Preferred dividends in Clarity	CF Controller
<b>Rental &amp; Royalty Expense</b>		
Sep 30	Rental & Royalty in Clarity	Corporate
<b>JDE Update</b>		



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Sep 30	Budget copied from Clarity to JDE (Ledger Type Budget 2014 V1)	Corporate
<b>Interest</b>		
Sep 13	Debt repayments to Corporate	Treasury
Oct 4	Cash flows to Treasury	Corporate
Oct 9	Interest expense template completed	Treasury
<b>Review with Service Department VP</b>		
Oct 7th – 9th	Review with Hydro & Nalcor service departments	BU Managers, Corporate, VP
<b>Budget Package</b>		
Oct 10	Budget Package submitted to Finance	LOB Controllers, Corporate
<b>Financial Statements</b>		
Oct 11	Forecast BS to Dec 31 with Aug actuals	Corporate
Oct 11	Financial Statements by LOB	Corporate
Oct 15	Consolidated Financial Statements	Corporate
<b>Budget reviews with General Manager</b>		
Oct 17	BAF / Energy Marketing / Oil & Gas	Finance, General Manager Finance, VP
Oct 17	LCP / Hydro	Finance, General Manager Finance, VP
Oct 18	Churchill Falls / Twin Falls	Finance, General Manager Finance, VP
Oct 18	Nalcor	Finance, General Manager Finance, VP
<b>Budget reviews with CEO</b>		
TBD	Oil and Gas Budget review with CEO	Finance, CEO, CFO, VP
TBD	Bull Arm Fabrication	Finance, CEO, CFO, VP
TBD	Energy Marketing & LCP	Finance, CEO, CFO, VP
TBD	Churchill Falls	Finance, CEO, CFO, VP
TBD	Hydro	Finance, CEO, CFO, VP
TBD	Nalcor	Finance, CEO, CFO
<b>Budget Package</b>		
Nov 13	Budget package for BOD	Corporate

## **APPENDIX B**

### **2.0 BUDGET REQUIREMENTS**

#### 2.1 O&M Forecast - 2013

Please ensure your August 2013 forecast reflects your best estimate of the annual costs, as this number will be used in the variance calculations as presented to senior management and the Board of Directors.

Any references to the 2013 forecast as a comparative figure will include the actual results for the eight months ended August 31, 2013 plus the forecast for the remaining four months of 2013.

#### 2.2 IFRS & C-GAAP Adjustments

Adjustments will be updated in Clarity and JDE in conjunction with the preparation of the budget package and will be the responsibility of each LOB controller, with technical support as necessary from the Assistant Corporate Controller.

#### 2.3 Salaries

##### a) Full Time Permanent and Temporary Salaries

The Salary Budget Template will be available on July 31<sup>st</sup> to assist you in building your budget.

Salaries will be budgeted in two categories, full time permanent and temporaries with separate accounts used to capture each.

*Full time permanent staff* for the current year will be listed within the template. Any new positions not indicated must be added to the bottom of the template and any positions not required should be removed. To remove a position, the hours associated must be zeroed out.

*Temporary staff* from the prior year will be listed within the template by position. The hours for these positions must be added to reflect current year data. In addition, any new temporary positions must be added to the bottom of the template.

##### b) Fringe Benefits, Group Insurance, Employee Future Benefits and Vacancies

Fringe Benefits, Group Insurance, Employee Future Benefits and Vacancies (where applicable) will be calculated based on information entered into your Salary Budget Template.

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- *Balances within Employee Future Benefits will vary based on certain market conditions such as interest rates and are therefore, subject to material fluctuations.*

#### c) Recharged salaries

These areas will be budgeted based on actual 2012 activity, with the salary dollars updated to reflect 2014 salary projections.

- Intercompany salaries (across LOB's)
- Intracompany labour (within LOB's)
- Capital labour allocations

#### Intracompany Operating Projects

Salaries charged within a LOB through operating projects should be completed using the **Main Activity Template**, as was done in previous years. This template will be available on July 11<sup>th</sup> to assist you in building your budget.

#### 2.4 Professional Services & Training

The **Professional Services & Training Budget Template** will be available on July 16<sup>th</sup> to assist you in building your budget.

#### Training costs

##### *Hydro*

The training budget for Hydro is administered by Human Resources. The budget for Training should only include training registration or course fees and will be consolidated by and included in HR budgets. All travel associated with training must be budgeted in travel (6505) of the originating department.

If you have any questions, please contact [REDACTED], HR Specialist – People Development [REDACTED], for her support.

##### *All other entities*

Please budget training requirements for all other entities in your respective business units.

#### 2.5 All Other O&M Expenses

The **Non-maintenance Budget Template** will be available on July 11th to assist you in building your budgets.

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#### System Equipment and Maintenance (SEM)

System Equipment and Maintenance includes such items as Materials, Contract Labour, Tools & Operating Supplies, etc. These costs should be budgeted based on planned activity levels.

#### Travel Costs

Travel costs include meals, accommodations, per diems, airline ticket, etc. Please estimate your travel costs and be prepared to support your budget with detail and cost estimates used to derive the overall costs.

#### Conferences

The budget for conferences should only include the registration fee. All other cost should be budgeted with travel. Please be prepared to support the funding proposal with details such as conferences names, dates, fees etc.

#### Other expenses

All other expenses should be based on planned activity levels.

- Municipal tax - will be budgeted by Rates and Regulatory.
- Payroll tax - will be budgeted by [REDACTED]
- Insurance - will be budgeted by Risk and Insurance
- Cost recoveries include the following:
  - IOC Cost Recovery will be budgeted by Regulated Hydro
  - CDM deferrals will be budgeted by Corporate Communications
  - Administration fee, Fixed Charge & Audit fees will be budgeted by Corporate
  - External recoveries will be budgeted by the applicable BU as required

#### 2.6 Operating Projects

Operating Projects will be budgeted using the **Main Activity Template** in Clarity. For any new projects, an **Operating Project Form** will need to be submitted to Corporate in order to set up the Operating Project number.

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#### 1.0 Overview

##### 1.1 Introduction

The guidelines for 2015 budget preparation are outlined below. The annual budget process provides the opportunity for a comprehensive, strategic and operational review. The output of the process is the financial budget for the coming year and will be used in communications with our Board of Directors, various financial institutions, and the provincial government. *It is therefore important that you consider all known factors (such as various cost drivers and activities) in creating an accurate budget and provide sufficient detail to support your estimates.*

Support for all costs should be available; however, all costs above 2.5% escalation over the August 2014 forecast will be specifically highlighted during the review process. Where possible, costs should be maintained within an overall increase of 2.5% or less.

##### 1.2 Highlights

- The following Clarity templates will be used to facilitate the budget process:
  - Salary Budget Template (Perm and Temp)
  - Professional Services & Training Template (various cost types available in the template)
  - Main Activity Template
  - Non-Maintenance Budget Template

##### 1.3 Summary of Key Dates

Date	Requirement
<b>June 16th</b>	Main Activity Template, Non-maintenance Budget Template, & the Professional Services & Training Template available
<b>August 8th</b>	Salary Budget Template available
<b>September 1st</b>	Salary budget completed
<b>September 12th</b>	Main Activity Template, Non-maintenance Budget Template, & the Professional Services & Training Template completed
<b>Sep 24 – Sep 26th</b>	Budget review with General Manager of Finance (Nalcor, NL Hydro, LCP) & Corporate Services
<b>October 10th</b>	Line of Business (LOB) Budget Deck submitted to Finance
<b>Oct 20th - Oct 22nd</b>	Budget presentation with CEO
<b>November 14th</b>	Budget package for the Board of Directors completed

##### 1.4 Budget Contacts

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Questions on the 2015 budget process or these instructions can be directed to [REDACTED]

1.5 Budget Timetable - **Appendix A**

1.6 Budget Requirements - **Appendix B**

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**APPENDIX A**

**BUDGET TIMETABLE**

<b>Date</b>	<b>Activity</b>	<b>Responsibility</b>
<b>O&amp;M</b>		
June 16	Main Activity Template, Non-maintenance Budget Template, & the Professional Services & Training Template available	Corporate
Sep 12	Main Activity Template, Non-maintenance Budget Template, & the Professional Services & Training Template completed	BU Managers, Site Service Administrators, LOB Controllers
<b>Salaries</b>		
Aug 8	Salary Budget Template available	Corporate
Sep 1	Salary templates completed	BU Managers & Site Service Administrators, LOB Controllers
<b>Budget reviews with General Manager</b>		
Sep 24	BAF / Energy Marketing / Oil & Gas	Corporate, GM of Finance (Nalcor, NL Hydro & LCP), VP
Sep 25	Hydro / LCP	Corporate, GM of Finance (Nalcor, NL Hydro & LCP), VP
Sep 26	Churchill Falls / Twin Falls / Nalcor	Corporate, GM of Finance (Nalcor, NL Hydro & LCP), VP
<b>Budget Package</b>		
Oct 10	Financial Statements by LOB	LOB Controllers
Oct 10	Budget Package submitted to Finance	LOB Controllers
<b>Consolidated Package</b>		
Oct 13	Consolidated Financial Statements	Corporate
Oct 15	Consolidated budget package for CEO review	Corporate
<b>Budget reviews with CEO</b>		
Oct 20	BAF / Energy Marketing / Oil & Gas	Corporate, CEO, CFO, VP
Oct 21	Hydro / LCP	Corporate, CEO, CFO, VP
Oct 22	Churchill Falls	Corporate, CEO, CFO, VP
Oct 23	Nalcor	Corporate, CEO, CFO, VP
<b>Budget Package</b>		
Nov 14	Budget package for BOD	Corporate
<b>JDE Update</b>		
Weekly	Budget copied from Clarity to JDE (Ledger Type Budget 2015 V1) every Monday morning from June 30th – Sep 29th.	Corporate

**APPENDIX B**

**2.0 BUDGET REQUIREMENTS**

2.1 O&M Forecast - 2014

Please ensure your August 2014 forecast reflects your best estimate of the annual costs, as this number will be used in the variance calculations as presented to senior management and the Board of Directors.

Any references to the 2014 forecast as a comparative figure will include the actual results for the eight months ended August 31, 2014 plus the forecast for the remaining four months of 2014.

2.2 Salaries

a) Full Time Permanent and Temporary Salaries

The Salary Budget Template will be available on August 8th to assist you in building your budget.

Salaries will be budgeted in two categories, full time permanent and temporaries with separate accounts used to capture each.

*Full time permanent staff* for the current year will be listed within the template. Any new positions not indicated must be added to the bottom of the template and any positions not required should be removed. To remove a position, the hours associated must be zeroed out.

*Temporary staff* from the prior year will be listed within the template by position. The hours for these positions must be added to reflect current year data. In addition, any new temporary positions must be added to the bottom of the template.

b) Fringe Benefits, Group Insurance, Employee Future Benefits and Vacancies

Fringe Benefits, Group Insurance, Employee Future Benefits and Vacancies (where applicable) will be calculated based on information entered into your Salary Budget Template.

- *Balances within Employee Future Benefits will vary based on certain market conditions such as interest rates and are therefore, subject to material fluctuations.*



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#### c) Recharged salaries

These areas will be budgeted based on Budget 2014 activity, with the salary dollars updated to reflect 2015 salary projections. The following accounts will be escalated:

- i. Intracompany salaries (within a LOB)
  - a. Labour in (6035)
  - b. Labour (out) (6036)
- ii. Capital labour (out) (6045)

#### Intracompany Operating Projects

Salaries charged *within* a LOB through operating projects should be completed using the **Main Activity Template**, as was done in previous years. This template is currently available within Clarity to assist you in building your budget.

Please note that when the labor recharge is budgeted for 2015 based on the Budget 2014 activity, the following accounts will also be budgeted:

Overtime Out (6041)  
Capital Overtime Out (6046)

You should ensure that your Overtime (6020) budget covers the overtime labor that has been budgeted to be charged out in addition to the overtime required to stay in your business unit.

#### 2.3 Professional Services & Training

##### 1. Professional Services & Training

As in the prior year, the **Professional Services & Training Budget Template** can be used to assist you in building your budget in the following areas:

- Consultants
- Legal
- PUB related costs
- Software, Acquisition and Maintenance
- Training
- Trustee
- Grocery Store Management Fee
- Emera Optimization

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Training costs

#### *Hydro*

The training budget for Hydro is administered by Human Resources. The budget for Training should only include training registration or course fees and will be consolidated by and included in HR budgets. All travel associated with training must be budgeted in travel (6505) of the originating department.

If you have any questions, please contact [REDACTED], HR Coordinator – Talent Management [REDACTED], for her support.

#### *All other entities*

Please budget training requirements for all other entities in your respective business units.

#### 2.4 All Other O&M Expenses

The **Non-maintenance Budget Template** is currently available and to assist you in building your budgets.

#### System Equipment Maintenance

System Equipment Maintenance includes such items as Materials, Contract Labour, Tools & Operating Supplies, etc. These costs should be budgeted based on planned activity levels.

#### Travel Costs

Travel costs include meals, accommodations, per diems, airline ticket, etc. Please estimate your travel costs and be prepared to support your budget with detail and cost estimates used to derive the overall costs.

#### Conferences

The budget for conferences should only include the registration fee. All other cost should be budgeted with travel. Please be prepared to support the funding proposal with details such as conferences names, dates, fees etc.

#### 2.5 Operating Projects

Operating Projects will be budgeted using the **Main Activity Template** in Clarity. All activity in relation to operating projects has been zeroed out within this template and requires your input. For any new projects, an **Operating Project Form** will need to be submitted to Corporate in order to set up the Operating Project number.