



COMMISSION OF INQUIRY RESPECTING THE MUSKRAT FALLS PROJECT

Transcript | Phase 1

Volume 59

Commissioner: Honourable Justice Richard LeBlanc

Monday

17 December 2018

CLERK (Mulrooney): All rise.

This Commission of Inquiry is now open.

The Honourable Justice Richard LeBlanc
presiding as Commissioner.

Please be seated.

THE COMMISSIONER: All right. Good morning.

Ms. O'Brien.

MS. O'BRIEN: Good morning, Commissioner.

Before we begin today, I have – I'm seeking to enter some exhibits.

Exhibit P-01670; this is actually a transcript of an interview with Chris Huskilton, and it was referred to in my questioning of Mr. Martin last week.

And I'm also seeking to enter the following Exhibits: P-01669 and P-01671 and P-01672. And those will be used in relation to the examination of our first witness today, who's Peter Alteen.

THE COMMISSIONER: All right.

And Mr. Alteen wishes to be sworn or affirmed?

MS. O'BRIEN: Sworn.

THE COMMISSIONER: Sworn.

If you could stand, Sir, and place your hand on the Bible?

CLERK: Do you swear that the evidence you shall give to this Inquiry shall be the truth, the whole truth and nothing but the truth –

MR. ALTEEN: I do.

CLERK: – so help you God?

MR. ALTEEN: I do.

CLERK: State your name for the record, please.

MR. ALTEEN: My name is Peter Alteen.

CLERK: Thank you.

MS. O'BRIEN: Thank you, Mr. Alteen.

I'd like to ask you to begin with a brief review of your education and work history. I know that you are currently the president of Newfoundland Power, but if you could take us back in time a bit and give us a short synopsis of how you got there.

MR. ALTEEN: Sure.

Commissioner, I'm a lawyer by profession. I was called to the Bar of Newfoundland in 1983. Practiced for about three-and-a-half years, and then I joined Newfoundland Power as legal counsel in 1987.

Following that, for the next 10 or 12 years, I was legal counsel and performed a variety of management roles within Newfoundland Power, until about 2001. Among those management roles was the manager of regulatory affairs and the corporate secretary. So governance and regulation were parts of the additional, sort of, duties or expertises that I took in my period as a manager. In 2001, I became an executive at the enterprise. And from 2009 to 2018, when I became the president, I served as the vice-president of regulation and planning.

So from the period of the announcement of the Muskrat Falls Project to its sanction, I would've been the executive responsible for regulatory relationships and all aspects of regulatory compliance at Newfoundland Power.

MS. O'BRIEN: Okay. Thank you.

And I'd like to get you to please give us just a little brief overview of the relationship between Newfoundland Power and Newfoundland and Labrador Hydro.

MR. ALTEEN: Newfoundland Power is predominantly a distribution and customer service organization. It is – it owns and operates the part of the electrical grid – or the majority part of the electrical grid that actually serves customers or is closest to customers, Mr. Commissioner.

We are fully regulated, so all of our customer relationship, all aspects of that, investment and return are regulated by the Public Utilities Board. Newfoundland and Labrador Hydro is the principal generator or supplier of energy in the Province of Newfoundland and Labrador and is the bulk transmitter of electrical energy. We are the biggest customer and Newfoundland and Labrador Hydro's cost of supply to us represents, by far and away, our biggest expense. So it would be – in 2017 it was \$440 million or about two-thirds of Newfoundland Power's total revenue.

The relationship between Newfoundland Power and Newfoundland and Labrador Hydro is a fully regulated relationship under the purview of the *Public Utilities Act* and the *Electrical Power Control Act*. So that relationship is fully regulated in much the same way as our relationship with our customers is fully regulated.

MS. O'BRIEN: And in terms of Newfoundland Power's customers, I know you have a lot of residential customers, are your customers only residential or are other sectors represented as well?

MR. ALTEEN: The majority of our customers are residential, but we also serve general service customers which would generally constitute commercial and institutional enterprises throughout our service territory, which is the bulk of the Island portion of Newfoundland and Labrador.

MS. O'BRIEN: Okay.

So you have already mentioned that, obviously, you're a fully regulated entity at Newfoundland Power and your relationship with Newfoundland and Labrador Hydro is fully regulated, so that means that brings in the PUB, which is the regulator. Is that right?

MR. ALTEEN: That's absolutely correct. To operate Newfoundland Power requires Newfoundland Power to acquire somewhere between 15 and maybe 30 Public Utilities Board orders a year. The enterprise would not be able to operate absent that sort of regulatory permission, so to speak. Similarly, Hydro has a similar number of applications that would affect

Newfoundland Power in the run of a year. So the regulatory agenda at the PUB is quite a complex and full one on a day-to-day or week-to-week or month-to-month basis.

MS. O'BRIEN: So perhaps if you could just review the types of proceedings that Newfoundland Power participates in before the PUB?

So for example, I know one of them would be general rate applications. And I understand that in some cases Newfoundland Power would be the applicant and then in other cases Newfoundland Power may be intervening in an application by Newfoundland and Labrador Hydro. And I know there's other proceedings as well.

So could you please take us through those?

MR. ALTEEN: Well first, the general rate case is just a periodic matching of utility cost to rate, and that's done for Newfoundland Power typically on a three-year time cycle. The Public Utilities Board mandates a full review just to make sure the balance between rates and costs is what it should be. Newfoundland and Labrador Hydro has similar types of applications on an ongoing basis.

The singular biggest recurring application, I think, in the – under the regulatory framework in this province would be the annual capital budget applications. They have to be filed by both Newfoundland Power and Newfoundland and Labrador Hydro. These applications have a very regimented set of guidelines that surround them and requirements in terms of data, in terms of expectations and presentation. So that's a typical annual application; they run 400, 500 pages long. So they're fairly voluminous and they're fairly data driven. Newfoundland and Labrador Hydro would have a similar requirement on the capital budget side.

In addition to that, in my time at Newfoundland Power – and I've appeared or have functioned both as counsel for a number of years, as manager and as an executive – I've been involved in a number of investigations by the board. And the board investigates pretty much what the board thinks is relevant for it to investigate. For example, something along the

lines of service, like a big power failure, that's a typical subject matter of a PUB investigation. Back in 1994, I would've been involved in the first major power outage investigation by the PUB, and that was related to a transmission collapse on the Avalon Peninsula in December of 1994.

MS. O'BRIEN: Okay, so the current ongoing investigation following the January 2014 DarkNL power outage – there's currently an investigation that's going on before the PUB, and I take it that would be one of these examples of a PUB initiated investigation, is that right?

MR. ALTEEN: Absolutely.

MS. O'BRIEN: Okay.

MR. ALTEEN: And that investigation has been ongoing since 2014 and Newfoundland Power's a full participant in that investigation.

But the board doesn't just investigate power shortages; they've investigated things as varied as the return on equity of Newfoundland Power, our relationship with our customers – municipal customers – at times when complaints arise. So they have a very broad investigatory power. It's not totally unlike the power of inquiry under the Public Inquiries Act, in terms of the board's powers to compel information and get to the facts of matters.

MS. O'BRIEN: Okay.

MR. ALTEEN: And then finally there's references. This – my appearance today, we'll talk about the reference to the PUB about Muskrat Falls, but those aren't things that – that isn't the first of those types of references. Back in the 1990's, the government referred to the PUB, a rather thorny issue of subsidization of rural rates in the province.

It was a highly politicized issue; it dealt with whether customers in our service territory or in more populated areas of the province should be subsidizing customers in very much more rural areas to the degree that they were, whether that made good economic sense. So there's all manner of sort of proceedings before the board; Newfoundland Power's participated in them all.

MS. O'BRIEN: Okay, thank you. And just for clarification purpose, when you talk about references, these would be references – the Government of Newfoundland and Labrador referring a matter to the PUB under – there's a section of the Electrical Power Control Act that allows that to happen. Is that correct?

MR. ALTEEN: That is correct, and it typically is a matter that the Public Utilities Board would be expected to have special expertise by reason of its regulatory mandate and its normal operation.

MS. O'BRIEN: Okay. So I'm gonna bring up the terms of one such reference now – P-00038, please? And it's at tab 1 of your book, Mr. Alteen. So this is the reference on the Muskrat Falls Project that the government referred to the PUB pursuant to section 5 of the EPCA on June 17, 2011. I take it you're familiar with this?

MR. ALTEEN: Yes, I am.

MS. O'BRIEN: Okay, when did you first become aware of the reference?

MR. ALTEEN: I first became aware of the reference, I think, in the conversation before the reference was actually released by the government on June 17, I think in 2011. We would have been following events related to the Muskrat Falls development from the point of its announcement in November of 2010.

So, the project was announced in November of 2010; at that time the amount of material, or the amount of detail, or the amount of information that was available to the public wasn't particularly high. But we would have been – from that point forward – been following the issue quite closely in the media and, you know, in all other, sort of, aspects.

So, we would have been aware of the growing, sort of, debate – public debate, about Muskrat Falls and whether Muskrat Falls was a good idea or a bad idea, through early 2011. So we would have been aware of the suggestion that a reference question might be put even, before it was put, because it was publicly, sort of, being discussed prior to the actual issuance of the Terms of Reference that are before me here in P-00038.

MS. O'BRIEN: So, when you did NCP 38, the actual Terms of Reference, do you recall what your reaction or initial thoughts would have been to that?

MR. ALTEEN: There are a number of things. One: part of it was that it was rather an interesting question. The government was looking from the Public Utilities Board – an opinion as to whether what was designated as the Interconnected Option was least-cost when compared to what they defined as the Isolated Option.

That sort of framework of the question – I called it an either/or proposition in my interview – that type of proposition was a little bit unique in regulatory terms because the power policy in the province speaks to power being delivered on a least –lowest possible cost consistent with reliable service. This sort of stipulated that – these two situations which were to be compared. So that was the first thing I would have noticed.

The second thing was that the Public Utilities Board's inquiry was time-constrained. They had a December 31 date for a report to – back to government. Another thing that you obviously would have noticed: that the Consumer Advocate was appointed to represent consumer interest. So those types of things would have been all there.

What wasn't there, also, sort of, was noticed by me: that there was no indication of what other public process might be associated with the reference, and in particular whether Newfoundland Power would have an opportunity to participate in any way in the process that would be associated with this reference.

MS. O'BRIEN: So I just want to take you back to one of the comments you just made, doing a comparison of the least-cost, the either/or as you put it, compared to lowest possible cost which, of course, is the requirement under the Electrical Power Control Act.

Do you see a distinction in those two – least-cost versus lowest possible cost – and if so could you perhaps elaborate on that?

MR. ALTEEN: In the framework of the question, I think, in the terms of reference, the least-cost might be, for example, Muskrat Falls or the Isolated Option that's described in the reference, but neither of those is necessarily going to be the lowest cost consistent with reliable service. So that, you know – those aren't the only two options that exist in the planning world that might be the lowest cost consistent with reliable service. So there is a difference from that perspective. This came fully assembled as to 50-year options.

MS. O'BRIEN: Now you did say that your initial reaction given the December 31 deadline was that there was a time constraint. This was out mid-June so we're looking at, at that point, a six-and-a-half-month period. Did you – based on your experience before the PUB, can you give us a sense of whether you thought that was a, you know, a comfortable timeline, a tight timeline, you know, in the way that these processes normally take place between the PUB – in your experience with that?

MR. ALTEEN: It was an ambitious timeline given the nature of the – or the subject matter that we're dealing with here. However, my experience at the Public Utilities Board is that a lot can be achieved in relatively short time frames. The PUB is quite a competent public policy organ, a regulator, whatever – and they have a full array of what I'd call discovery or disclosure processes that allow them to get to the core of complex matters pretty efficiently.

The three principle sort of disclosure processes include an information – written information – request process. These are widely used throughout North American regulatory practice, and they allow participants in a proceeding, such as a reference or an application to acquire large amounts of data, large amounts of information, fully detailed positions of parties in writing early on in the process.

There's also, of course, cross-examination, which is a standard sort of hearing or judicial sort of process that permit interested parties to get at what the proposition is in a particular reference or application or whatever.

And finally, there's a thing called a technical conference. And a technical conference is –

tends usually to be an informal process where highly technical issues are discussed between proponents and experts and intervenors or participants in regulatory processes.

The purpose of these types of conferences is to provide a way to get at something via repartee, so that, if you're dealing with a highly expert – technical expert – or you're dealing with a proponent of a complex proposition, you can inquire into it without the formality of hearings under oath or whatever, and you can scope issues.

That is of tremendous assistance when you're trying to understand some of the complex matters which typically are part of the public utility sort of space.

So those types of processes are all available to investigate the reference question, for example. If I give example of how that works, if it's helpful to you –

MS. O'BRIEN: It would be, I believe.

MR. ALTEEN: In 2006, Newfoundland Power filed, as it routinely does, its capital budget for the succeeding year. And that's a positive requirement under the *Public Utilities Act*. And that budget I picked out in particular because it included a \$20-million hydro plant rehabilitation job that Newfoundland Power was under – proposing to undertake at its largest hydro plant – which isn't a very large hydro plant; it's only about 14 megawatts – in Central Newfoundland. So the budget was \$62 million; this was a \$20-million single expenditure. We filed the application in April, late April, had about 450 pages worth of backup, so it was fairly detailed filing.

MS. O'BRIEN: So when you talk about the application here, we've heard about submission, like, Nalcor's submission on the reference.

MR. ALTEEN: It would be –

MS. O'BRIEN: Is that equivalent?

MR. ALTEEN: That would be the equivalent in regulatory terms to the submission referred to in this reference.

MS. O'BRIEN: Okay.

MR. ALTEEN: I'm sure we'll get to that in a little bit.

But in 2006, when we were going through this, the board, eventually, of its own wisdom – Newfoundland Power, as an applicant, doesn't dictate process. The board determines the processes it thinks work for it to get at the proposition before it.

So the board indicated in June after noted – public notice was given at the application, and participants like the Consumer Advocate, you know, gave notice they were participating in the process. In late June, the board said that it thought that a technical conference would be beneficial.

So we were informed of that, and shortly after that, the Consumer Advocate came forward and asked if we would provide a site viewing of the site in Central Newfoundland. It included an almost 2-kilometre penstock replacement, so it was actually rather a large civil job. And we agreed to do that, and, of course, we invited the board and the board staff, because they're regular participants in vetting these applications before.

So I believe the way that the thing worked out was that, on early July, there was an actual site visit. It was attended by the chair of the PUB, a number of PUB staff, the Consumer Advocate, the chief engineer on the project from Newfoundland Power, the chief – and the engineering specialist – the mechanical and electrical specialist who were part of that. They all went to Central Newfoundland and viewed the site for a day, traversed the whole area.

The very next day, there was a technical conference. The technical conference wasn't attended by any commissioners, but it was attended by board staff, and the board had specifically requested that Newfoundland and Labrador Hydro attend because they wish to make sure that Hydro was on side with our plans to rehab a power plant in Central Newfoundland. So that took the better part of a day.

There were four engineers from Newfoundland Power who met informally with all of the

participants, including the Consumer Advocate, and they discussed the project, pros and cons, the technical details. It started out with a presentation, but it quickly devolved into an informal exchange of information and perspective on the project.

So after that, the board permitted all of the parties to issue requests for information – formal requests for information of Newfoundland Power. So that process took place – the requests were delivered to Newfoundland Power about a week after that, and Newfoundland Power got a couple weeks to respond to them.

Among the issues raised in the job and associated with the refurbishment of this specific power plant were questions about the engineering design – so we were challenged on design – whether our design was least cost.

And there was some engineering – what do you call those – reports that show up in academic journals – the word escapes me – that was put to us as to an alternative design, and that was from the Consumer Advocate. And in addition, the timing of the project was challenged because steel prices were high and the steel penstock was a significant part of the proceeding.

Newfoundland Power had to fully cost a redesign along the lines suggested by the Consumer Advocate that required us to actually make contact with the person who had designed this alternative – design – the engineer who was an American engineer from Chicago, as I remember. So there was a whole lot of work to be done. We did all of that; we answered the RFIs.

Once that was done, the board then sent a notice out to all the parties and said: Do any of the parties wish to have an oral hearing under oath? Given the level of disclosure in all of the discovery processes up to that point, neither the Consumer Advocate, Hydro or board staff thought that a further formal proceeding was necessary. So the application went to briefing; submissions were made, and the, you know, the matter concluded.

From the time the board started on the process from the perspective of saying we need a technical conference to the end of briefing, was

about eight weeks. So that's pretty good in terms of efficiency in a complex sort of process. And it gives you some indication how these processes – excuse me – worked together to get at something that may not be completely obvious, like the price of steel and what the price of steel has been, what it might be in the future. Those types of issues.

MS. O'BRIEN: So that eight weeks would not have taken in the amount of time for Newfoundland Power to prepare its 400-or-whatever page application to the board –

MR. ALTEEN: Absolutely not.

MS. O'BRIEN: – is that correct? So that would have been additional time to put that material together?

MR. ALTEEN: We would put that material together every year as of course, and in putting it together, we would understand that the more fulsome and articulate and clear that the filing is, the more likely and the more easy that the processes that follow the filing will be, and the more expedited or the quicker we're gonna get the order that we need to operate our business into the new year.

So there's a very clear incentive for an applicant to invest a lot of time in a good filing because that, at the end of the day, makes the process go better.

MS. O'BRIEN: Okay.

So, coming back to the terms of reference for the Muskrat Falls Project, when this published in June of 2011, I know you mentioned earlier that one – it wasn't clear from the terms of reference themselves what – whether there'd be intervenors or what role Newfoundland Power might play.

Did you have any contact with the PUB following the publication of the terms of reference?

MR. ALTEEN: Yes.

MS. O'BRIEN: Can you describe that please?

MR. ALTEEN: After the filing of the reference – well, step back – because there are so many orders with which we are involved with at the PUB, the contact between us and the PUB would be weekly with their – not PUB commissioners, with the staff and particularly between counsel, that’s a pretty, you know, it’s a pretty regular relationship.

So, I went back and checked my calendar through this period and there were a couple of different applications that I was personally involved with. And so I was talking to Ms. Greene, actually, Maureen Greene, on a routine basis through this period about those applications. They related to – or different orders.

So, I was – we were, naturally, talking about the broader agenda. This was a big – a relatively big issue, particularly for the PUB, in – given the public scrutiny that was on the issue and all of that stuff.

So, early on, we talked about what the PUB, or we asked – I asked – what the PUB’s general thinking was, where it was going with this. And it was indicated that the PUB was hoping to have a process that might include requests for information as I’ve described earlier, and a technical conference to help get through the issue. Okay?

MS. O’BRIEN: And intervenors or without intervenors?

MR. ALTEEN: It was – we were led to believe that, if things worked, that Newfoundland Power would be a participant in the process.

MS. O’BRIEN: So, as an intervenor. Is that –?

MR. ALTEEN: As an intervenor, or a participant, or whatever, yeah.

MS. O’BRIEN: Okay.

MR. ALTEEN: In terms of being able to ask questions and participate in a technical conference.

That had a – from my point of view – that has a mutual benefit. For us, we’re very, very concerned about this project from the – a couple

perspectives. One is: What is the cost going to be to our customer as a result of this? That was not altogether clear from any of the materials that we had seen, certainly up to the point of the issue of the reference question.

And the second one was: What are the reliability consequences for our customers? Approximately one-half of the customers that Newfoundland Power serves are on the Avalon Peninsula of Newfoundland. The plan proposed for Muskrat Falls called for the decommissioning of Newfoundland and Labrador Hydro’s Holyrood thermal generating station. That station provides, I think, it’s 490 megawatts of capacity and it’s right in the heart of the biggest load centre in the province and in our service territory. The plan to decommission that effectively replaced that capacity, which is close to where the demand is, with capacity, which is 1100 kilometres away from St. John’s, in Labrador.

That change has obvious potential reliability consequences for the customers we serve. So, both of those issues were top of mind in terms of our looking at the reference question and wanting to participate and understand better what those consequences were.

So, that was a particular focus with this, but from the outset, Ms. Greene made it very clear to me that much would depend upon the timing of Nalcor’s submission. And this would be a recurring – this – we would have conversations, none of which were focused on, specifically on a participation on this reference, but it would be almost in the way of where’s the board thinking now, as we were going through the summer and into the fall and then the Nalcor submission didn’t come up.

And it was clear that the Nalcor submission was putting some strain on the potential processes that the board could use to vet the reference question. So that was very clear to us throughout this period.

MS. O’BRIEN: So –

MR. ALTEEN: And in the meantime, of course, over the summer more and different information is becoming public. The Joint Review Panel’s report came out in August, maybe. And while the submission wasn’t filed,

we were aware that the board was meeting with the Consumer Advocate and meeting with Nalcor in an attempt to get information and advance the reference to a point that it could fulfill, you know, the obligations that the government imposed on them with the question.

We were not – we did not have a great deal of visibility on those sort of meetings just because they were spending a lot more time at it than us because we weren't formally engaged in the process at this point at all.

MS. O'BRIEN: Okay.

So we know that in January 2012 the MHI report was made public and was two volumes. That's been entered into – those two volumes have been entered into evidence as P-00048 and P-00049, and at around that same time – I'm going to ask Madam Clerk to bring up P-00609, and, Mr. Alteen, this is going to be in tab 5 of the book before you.

So this is the PUB's public notice of the Muskrat Falls review. We've looked at it in evidence before, and this really – if you could make it a little bit bigger please, Madam Clerk? There we go. So it really, I mean, it really sort of sets out timing for how the process is gonna go.

When you – can I ask you, when this came out publicly, was this the first you had – a formal word on what the actual procedure was going to be?

MR. ALTEEN: Yes, the PUB had also issued public advisories, I think in July and October, and those basically had indicated that the submission from Nalcor had not yet been received and that further process information would be forthcoming, okay?

Informally, we were aware of the situation in terms of the submission not being received by the board. And through this period, an interesting thing was happening because the PUB's website, which we were monitoring regularly, were displaying a number of exhibits, which we were reviewing in house at Newfoundland Power on the expectation that at some point we would likely be intervening or playing a role in this proceeding, so it was almost in the nature of homework.

However, the exhibits were not tied together in any particular way, so it was almost like a puzzle. And in addition to that, there were a number of RFIs being asked and answered, and those RFIs were coming from board staff, as early as early summer or mid-summer. And into the fall they were coming from the Consumer Advocate and its expert – Knight Piésold, I believe, they were. So there was a bunch of information being generated and we were reviewing that information and trying, as best we could, to make sense of it throughout this period.

We were also aware, prior to February, that the board had sought an extension for delivery of its report, and that they were seeking an extension to July or June 30, 2012. Our expectation was that they were going to get it. That was my expectation, given just how the matter had progressed. That didn't turn out to be the case. The board only got an extension to March 30, and we would have been aware in, I think it was early to mid-January, of an exchange between the minister and Chairman Wells. And as early as mid-January, Chairman Wells had indicated, in his response to the minister, that the public participation part of the process would likely be sacrificed to meet the March 30, 2012, report deadline. So we were aware of all those facts as they're going on and the political debate that's associated with it.

MS. O'BRIEN: Okay.

I'm going to come back in just a moment to your reaction to P-00609 which is up, but before I do that I just want to go back to – to get a little more information on something you just spoke about.

So I understand, and please correct me if I'm wrong, but in the ordinary course of applications or proceedings before the PUB the – a submission or an application, which is a fairly fulsome document by the applicant or the proponent, get filed first, so that would be the first document that's seen.

MR. ALTEEN: Yeah.

MS. O'BRIEN: And then RFIs, which are requests for information, and more detail follows after that. From what I'm hearing from you is

that in this case because the submission is so late in coming – and I understand it didn't come until November, that's the evidence that's before the Inquiry. But prior to that, some information was coming out, exhibits were being filed, there were RFIs going on. In your – from your perspective does that – you know, does the timing of when you get the information matter?

MR. ALTEEN: Does the timing of when –

MS. O'BRIEN: So, in other words, is there any affect – you know, as long as you get the information, is that what matters or is there a difference between getting the submission first and then the details, versus getting some of the details and then later the submission?

MR. ALTEEN: There's a big difference. If you look at the volume of information that was filed by Nalcor, whether by exhibition or exhibit or by response to information requests, that information lacks any perspective without a submission. It really is tough to understand how it relates to the general proposition that's put forward in the reference question: Is this least cost – this Interconnected Option least cost when compared to this Isolated Option.

So you have a report on this, or a report on that, so there's a bunch of different reports that come out, but it's hard to figure out, from an outsiders perspective – even a relatively sophisticated outsider like Newfoundland Power which has industry knowledge and has a degree of technical competence with this stuff, it was difficult to piece it together.

When the submission did come – I guess it was November 10 – we could then get a little bit more visibility on what all those pieces meant, the context for it all. The process adopted – it didn't make a complex proposition less complex or more transparent, it tended to make it a little bit more difficult to look at from the outside.

MS. O'BRIEN: Okay. Thank you.

Now, when P-00609 – which is the notice of how the procedure for the review, when that was published – and I believe that was in February of 2012 – what was your reaction to that?

MR. ALTEEN: This exhibit, I think it came out February 1. And I believe that was the same day or within a day of the time when the MHI report on the Nalcor submission was released. So that report was about 300 pages of technical details.

So when that came out, at that point, we considered this in that context, Commissioner. And the context of it was pretty simple, we would not have any ability to use any of the board-mandated processes that I described earlier to get at, or cut through the technical complexity of the matter and understand it in a way that would permit us to evaluate it and make what I consider meaningful submissions on the question before the Public Utilities Board, which is a very specific question: Is this least cost when compared to that?

So the process that the board adopted – and it was politically constrained to adopt this in our view. We – you know, we read the news, we understand the debate. We realized that we would never get much insight into either Nalcor's submission, because we had no ability to ask questions about that, or into MHI's review of that submission in this type of process.

When I spoke to Ms. Greene about it she said: Well, you know, you could ask a couple of questions through the Consumer Advocate. And I sort of indicated to her, given the complexity of all of this, that's not going to advance our understanding of the basic premise very far. And we don't know that there's much Newfoundland Power can do to bring either its industry knowledge or its technical competence to this without the ability to inquire into the matter at least in some detail. So that was a response to the Commission when we received this.

MS. O'BRIEN: So did you communicate to the PUB that Newfoundland Power would not be participating even through the Consumer Advocate?

MR. ALTEEN: That's right.

MS. O'BRIEN: Okay.

MR. ALTEEN: And I characterized that type of participation as not being meaningful or not being sufficiently meaningful, was my discussion with Ms. Greene.

MS. O'BRIEN: Okay.

MR. ALTEEN: This was – you know, for us, this was not something that we wanted to do. In particular, when Nalcor filed its submission in November, they also filed a particular exhibit called exhibit 0006. And that exhibit directly touched on the reliability of the Muskrat Falls proposition. And that caused some degree of concern at Newfoundland Power in terms of how it was worded.

Now, not being able to inquire into it or ask questions about it, wasn't – was, for us, a considerable casualty of the process.

MS. O'BRIEN: Okay.

And I'm going to come back to that very exhibit –

MR. ALTEEN: Mmm.

MS. O'BRIEN: – in just a few minutes. Before I do, I just want to make sure I've got the evidence fairly clear here.

So even when this Nalcor submission was in and the MHI reports were in, as I'm hearing you – that for Newfoundland Power – even with the expertise that Newfoundland Power has to really understand or get behind the details of those submissions, you considered it necessary to be more fully involved; in other words, have the ability to do RFIs of your own, do a cross-examination of various individuals or experts if needed, participate in things like the technical conference. I think these are some of the processes you've already discussed. Is that right?

MR. ALTEEN: Yes. All of those things would have been something that we would have welcomed, and liked to have had and would have been necessary for us to understand this in a way that we could make meaningful submissions to the board.

MS. O'BRIEN: Okay.

MR. ALTEEN: Newfoundland Power would perceive its role as being helpful to the board in the decision it had to make. We're a regulated

entity. I would think that that would be the board's expectation of us.

Whether all three of the processes would have been required for us to have an opportunity to get a better understanding, I'm not certain that all of it was necessary, but certainly some of it was necessary. And that was our view of it.

If you step back and look at it, Nalcor's submission is a couple of hundred pages, the MHI reports are another three hundred pages. That's 500 pages of fairly technical material. It's tough to reach conclusions that – you don't want to be mistaken in your own view of it and be advancing that on the board because that wouldn't be helpful from – certainly from a regulated utility perspective, I wouldn't consider it helpful.

MS. O'BRIEN: Okay.

Just wanna ask you about the potential participation of other experts, because, in this case, we know that the Consumer Advocate did hire Knight Piésold to do – to provide it some assistance but that, ultimately, a report from Knight Piésold wasn't filed, so there was no – there was the expert report commissioned by the board, which would be MHI's report. There was also a filing by Nalcor, Navigant's report.

Nothing from the Consumer Advocate, and then, obviously with no other intervenors, there wouldn't be anyone else supplying any other expert reports.

Can you give the Commissioner your views on, you know, the value of experts. Is – you know, is having more necessarily better, or is it perhaps not necessarily better, just more time and no further advancement of the inquiry?

MR. ALTEEN: The strength of public utility regulatory processes, if we step back and think about them conceptually, 'cause you really – it's a public interest process. It isn't a process between one party and another – excuse me – like a court action, per se, the common court action.

Typically, it's a common belief that diversity and perspective benefits the decision-making process. That's a fairly widely held regulatory

belief, I think, among practitioners. But there comes a limit to that, too. When you're dealing with highly complex matters, you can get yourself into a situation where too much, in terms of experts, would tend to drag the thing on, and that's part of the challenge the board had to face. The board is time constrained in this, in their consideration. They're masters of their own process and they didn't create the timing constraint.

So from our perspective, it would've been better had there been more experts, but experts' reports without any examination or any critical review are often, in these matters, not necessarily correct. It all depends on the facts that the expert's basing their opinion on, the source of those facts, the verification of those facts. All of that matters in terms of these types of matters in a significant way, in my opinion.

MS. O'BRIEN: Now, you've already said that the two, let's say, issues of most interest to Newfoundland Power were cost and reliability. I'm gonna come to reliability in a few moments, but at first I wanna address cost.

Obviously, you have customers, and you're ultimately Newfoundland and Labrador Hydro's largest customer, so I can see it's fairly obvious why cost would be important to you. You talked a little bit earlier on the difference between least-cost between two options versus lowest cost. We do know that Nalcor did file a report by Navigant that addressed some of the other options that Nalcor had eliminated.

In your view, was the Navigant report sufficient for you to satisfy yourself that, you know, these were the best two options of all the options that had been considered in terms of lowest cost?

MR. ALTEEN: The Navigant report was useful insofar as it provided a little bit more clarity about the long-term cost consequences contemplated by the Interconnected Option as dealt – as described in the reference question. So it was – it did provide some use. It did indicate that Nalcor expected the long-term price of electricity for customers to decline steadily in real terms over the 50-year horizon that this project was evaluated upon. So that – we considered that hmmm, that was kind of valuable information.

When it came to the exclusion of other proposals, I read the report as not as comforting as you'd like. You'd like to understand how they reached their conclusion of Nalcor's exclusion of other options and how much they would have been influenced by Nalcor's view of the world versus other views of the world. And a lot of times, when a utility creates its own experts' reports, that's why full, public-process cross-examination and all of those devices are kind of important, because if they were only reciting what Nalcor told them, then it's of not much value.

However, if they've done a robust, independent review of some of these things, it may add a lot of value. But without questioning, it's very difficult to understand where it was. And I don't – from my understanding, Navigant was never called. Navigant was never appeared on the thing though I may be mistaken on that, but I don't think so.

MS. O'BRIEN: In the public hearings –

MR. ALTEEN: Yeah.

MS. O'BRIEN: – before the –

MR. ALTEEN: And I don't think Knight Piésold – though I had understood from Mr. Johnson, the Consumer Advocate at the time, in informal conversations that his intention was to file a formal, sort of, report or opinion of Knight Piésold.

MS. O'BRIEN: But it didn't happen, yes.

MR. ALTEEN: It didn't – by the time the record came, we had Nalcor; we had MHI. That's what we had.

MS. O'BRIEN: Okay, thank you.

So then I want to go to the issue of reliability. And you've already referenced this exhibit in your testimony, it's P-01669, Madam Clerk. And, Mr. Alteen, in your book, that will be tab 6.

So here it is. This is an exhibit, I think it was exhibit 106, but – oh sorry – 106 before the PUB, it was filed. It's a technical note here from the System Planning Department, and I

understand with respect to reliability this was an important exhibit from Newfoundland Power's perspective, and I'd like you to explain that. And I understand – Madam Clerk, if we could just go to page 33 of this exhibit.

I believe, Mr. Alteen, this page in particular might be of assistance to you in explaining the importance.

MR. ALTEEN: I'd like to say from the start that this exhibit was widely commented upon by MHI and by the board in its report. So it wasn't just significant from a Newfoundland Power perspective. It is a pretty significant exhibit from a lot of different perspectives.

This is a summary page at the end of it. If we could scroll down a little bit more, Madam Clerk, right, perfect, that's great.

If you look at the last paragraph there, and I'll read it: "While the impact of these outage events" – and the outage events we're talking about here is a total failure of the Labrador-Island Link, okay, which is the 1,100-kilometre transmission line between Muskrat Falls and Soldiers Pond.

"While the impact of these outage events could be further mitigated with the application of additional combustion turbines on the Island Interconnected System, given the low probability of the event and minimal impact on unsupplied energy, Nalcor, in the interest of minimizing overall cost to the customer, has opted to apply load rotation and other means to minimize the impact to customers should an event occur."

That's a pretty significant statement, 'cause what that says is that if one component of the electric system, this transmission line, fails, then we may be a position where substantial – substantial – numbers of customers may not be able to be served by Nalcor. So that's a pretty huge thing.

Normally, in engineering system planning – I'm no engineer, but I have supervised planning exercises – you would not allow the failure of a system or the failure – the ability of a system serving the majority of its costumers to be dependent on one single contingency. That's not what you normally expect. So when we saw that

at Newfoundland Power, we were more stuck by this exhibit than we were by the Nalcor filing.

They all came out at about the same time, okay, in November. They were within a week of each other. So, that's a big deal.

Rotating power outages is not something that a North American power system that you sort of expect to occur as a result of the failure of one single component. That's not what you expect by our standards. So, we thought that was significant and it would be become more significant and more real when DarkNL happened and customers on the Avalon Peninsula got five days.

Nalcor, in this document, is saying: Two weeks is okay, when five days it proved to be not very okay if you happened to be in St. John's in that period, around the Avalon Peninsula in that period.

So, we were seriously concerned about this.

MS. O'BRIEN: And the two weeks here, as referenced here, the 14 meaning restoration time.

MR. ALTEEN: Yeah, meaning restoration time in 14 days.

There's a lot more –

MS. O'BRIEN: That's what they were planning out was for sort of – load rotation.

Is that – would that be brown out outs as some of us would understand?

MR. ALTEEN: That would be what happened in DarkNL when Newfoundland Power – because we did not have enough supply – was turn the customers on and off for two hour periods throughout that five-day period. That's what their talking about as load rotation. You get power–

MS. O'BRIEN: And so you get that for two weeks.

MR. ALTEEN: You get power for so many hours, we'll take you off, and we'll put you back on later. We would try to get into hourly spells.

But yeah, that's what it is – it's turning you on and off. It's not rounding out so much.

MS. O'BRIEN: Okay.

So this reliability plan was of concern to Newfoundland Power. We know that it has come – because after DarkNL and the investigation that was done by the PUB, we understand that that investigation now is looking at the post-integration world, so in other words, the world when Muskrat Falls is coming online. I know that Newfoundland Power had some involvement in expanding the investigation to look at that and thus revisit some of these reliability concerns that you had when you first saw this Exhibit P-00106.

Could you please describe that for the Commission? How it's – how it evolved?

MR. ALTEEN: After DarkNL, the board commenced an investigation and Newfoundland Power was investigated as part of that investigation. So the board plays no favourites in terms of its exercise and its jurisdiction. So both Newfoundland Power and Newfoundland and Labrador Hydro's reliability operations were put under full investigation.

As part of that investigation, the board opened a public process and they asked for people to scope what issues it should consider in that public process into examining the DarkNL failure.

Newfoundland Power have not had the opportunity in 2012 to push this issue. We decided as a management team that now it's the time to do that in 2014. So we specifically in the scoping hearing that the board had in the investigation, advanced an issue that post-Muskrat Falls reliability merited a consideration by the Public Utilities Board. That was opposed by Nalcor at the time, but the board eventually determined that it would include it in its investigation of DarkNL.

Since that time, we – there's been a very, very large record into this specific issue. And as it stand now, Newfoundland Power has filed expert evidence by transmission expert into the reliability of the Labrador-Island Link. We have filled planning expert evidence as what the

board, how the board might approach dealing with a reliability issue that they thought that the one-in-50-year-return period, which is mentioned very prominently in this exhibit, is seen as insufficient to ensure system reliability for the customers on the Island Interconnected grid.

In addition, Hydro's filed a great deal of evidence about its future plans to – vis-à-vis reliability post the Muskrat Falls interconnection. And all of that evidence confirms that as it presently stands, if the Labrador Island Link were to fail after Holyrood is decommissioned, because that is the key variable here – if that were to fail, we would be in rotating outage situation for the Avalon Peninsula, if it happened in the winter time when we have peaks.

MS. O'BRIEN: So is it fair to say that this is something that is still under active investigation by the PUB and we don't yet know what the ultimate results will be in terms of what additions or what changes may be made to the Interconnected system to address reliability.

Is that fair to say?

MR. ALTEEN: That is fair to say and I think that there's – we have every confidence that the PUB will make the right decision vis-à-vis reliability that our customers need.

MS. O'BRIEN: Okay, thank you.

The last area I'd like to cover with you, Mr. Alteen, is – has to do with CDM, or conservation and demand management. I'm gonna just address this with you, sort of at a fairly high-level. We've had a fair bit of evidence already, before the Commissioner, with respect to conservation and demand management.

And I just wanted to ask you to address what Newfoundland Power's experience has been with CDM, how you're using it, for how long you've been using it, and a little bit about how that process works with the PUB.

MR. ALTEEN: Back in 2008 I guess, Commissioner, Newfoundland Power revaluated – or did a comprehensive evaluation of what it

might be able to do to effectively incent cost-effective conservation by its customer. Could we incent our customers through conservation programs to use less electricity?

And back in 2009, the benchmark for avoided cost – because there's a cost-benefit analysis that goes into CDM management. The benchmark for costs you could avoid for energy, which is kilowatt hours, would be the cost of kilowatt hour, or the variable cost of a kilowatt hour at Hydro's Holyrood thermal station.

And right now today, the best estimate of the cost of one kilowatt hour – just in terms of fuel at Holyrood – would look sort of like 14 cents a kilowatt hour.

So we started a process which started with a Marbek potential study, which looks at what you – what's the potential for conservation out there.

MS. O'BRIEN: So that's the 2008 study I believe that we have in evidence?

MR. ALTEEN: The 2008 study –

MS. O'BRIEN: Okay.

MR. ALTEEN: – was actually a foundational document for us relaunching or launching the conservation programs we had today.

At that point, we started to look at that, we were doing – we decided that we would do this in concert with Newfoundland and Labrador Hydro, so that customers would not be confused with different utilities doing different things, because Hydro does have about 25,000 or 26,000 customers – direct customers of its own. So we were doing this in concert with Hydro, we would develop programs that are cost-effective, and reduce overall system costs.

So we have – we came up with a five-year conservation plan in 2009. It was a joint plan between the utilities. It was under the Take Charge banner, and the first five-year plan was placed before the Public Utilities Board, I'm going to say, in late 2008, early 2009, because to enable these types – the expenditures on conservation, you needed PUB approval of how you were going to treat the cost and the benefits; that would have been a routine application, and

we made that application, and Hydro made a similar application.

We started down the road of our current conservation planning. That started in 2009. We have since then have three iterations of the plan. We're on the third iteration today. That third iteration – it – we don't wait for one five-year plan to finish before we started the next one. In the later years of the first five-year plan, we rethought it, and we looked forward, and we said what can we do with this in the future, and each of the plans were filed with the Public Utilities Board, and the costs and the benefits are all gone through very transparently.

We have, since 2009 – our forecast for 2020 is that, for Newfoundland Power service territory, we will have incented about 185 gigawatt hours of customer conservation through our programs. That –

MS. O'BRIEN: That's annual – an annual number?

MR. ALTEEN: That is an annual number that we will – we plan to achieve in 2020. We have a pretty high degree of confidence with this. Throughout the planning period, we have consistently hit or beaten our conservation targets. That's through a 10-year period.

The average cost of taking those kilowatt hours off the system has been just under four cents. So we have a – remember I said a 14-cent avoided cost at Holyrood – that's just the cost of fuel, and the four cent – if you subtract one from the other – oops, excuse me – for every kilowatt hour that we save in 2020, the savings, in terms of Holyrood fuel, is about a dime a kilowatt hour. 185 gigawatt hours is 185 million dimes. So that comes out to be about \$18.5 million in terms of reduced system costs that we will achieve by 2020.

So we've looked at this as something that we're committed to, largely because our customers are committed to it. And so we've done these programs, and they've worked quite well for us and our customers, and we're quite happy to continue them.

That may change, of course, in the post-Muskrat world because Holyrood is not going to be a benchmark avoided cost at that point.

MS. O'BRIEN: Okay. So just fair to say – I'm just – may – perhaps summarizing, a bit, your evidence, but when you want to spend money on CDM, obviously, you want to recover that money from the ratepayers, so the PUB has to approve your expenses in that regard. Is that correct?

MR. ALTEEN: The PUB approves all of our expenses.

MS. O'BRIEN: Right.

MR. ALTEEN: All of our costs. That's part of –

MS. O'BRIEN: What they –

MR. ALTEEN: – their – part of what they do.

MS. O'BRIEN: So when they are looking at whether they're approving your cost, they want to know what your avoided cost is going to be to make sure that you're not spending more on CDM than you're going to save?

MR. ALTEEN: That's – they hold us to account to achieve the savings that we plan to achieve.

MS. O'BRIEN: Okay. And so, to date, your avoided costs have all been related to Holyrood.

I understand, for a CDM, sometimes you can get avoided costs that really build in avoided capacities. So if your CDM can actually avoid having to add additional capacity to the system, then you could have an additional avoided cost of additional capacity cost. Is that correct?

MR. ALTEEN: Yes, it is.

MS. O'BRIEN: Okay. But we've not been in that world, yet, in this province. Is that fair to say?

MR. ALTEEN: Newfoundland Power has never had a benchmark of future-avoided capacity cost against which to do the necessary assessments to determine if a program would've

been economical or not, if it had the cost benefit that you require.

MS. O'BRIEN: Okay.

And, finally, my last question is: Does Newfoundland Power include CDM in its load forecasting?

MR. ALTEEN: We have, since commencement of the program in 2009, included CDM in our energy forecasting, yes.

MS. O'BRIEN: Okay. Thank you. Those are my questions for you, Mr. Alteen. Thank you.

THE COMMISSIONER: Thank you.

Province of Newfoundland and Labrador?

MR. LEAMON: No questions, Commissioner, thank you.

THE COMMISSIONER: Nalcor Energy?

MR. SIMMONS: No questions. Thank you, Commissioner.

THE COMMISSIONER: Concerned Citizens Coalition?

MR. HISCOCK: (Inaudible.)

THE COMMISSIONER: Thank you.

You'll have to come up here to the table here and just – if you would, just flick on the switch for the microphone in – that will be in front of you.

MR. HISCOCK: Good morning, Mr. Alteen. My name is Will Hiscock, here with the coalition.

How will Muskrat Falls affect shareholders of Newfoundland Power? Is it expected to increase or decrease its regulated returns?

MR. ALTEEN: It's hard to say. I think what it – what we believe, it's going to increase the riskiness of Newfoundland Power, and it should, as a result, increase the cost of capital of Newfoundland Power. That's what I think.

MR. HISCOCK: Okay.

Those increased costs of capital, the increased risk, is that in relation in any way to the increased cost to the customer of their power or unrelated to that? How do you expect it to increase the risk costs?

MR. ALTEEN: The problem presented from a risk perspective to Newfoundland Power can be articulated sort of like this: As customer rates rise, or are required to rise to recover whatever level of Muskrat Falls costs need to be recovered, there will be a chance that that will crowd out the ability of Newfoundland Power to recover its costs, including – you know, including its cost of capital.

And so bond rating agencies that rate Newfoundland Power's debt have identified that as a credit risk to Newfoundland Power. That's – within one month of the sanction of Muskrat Falls, Moody's had noted it as a credit negative for Newfoundland Power.

MR. HISCOCK: And so the cost of –

MR. ALTEEN: That's January 2013.

MR. HISCOCK: And so that's increasing your costs of borrowing in – as a result?

MR. ALTEEN: All things being equal, it might. It has not increased it yet.

MR. HISCOCK: Okay.

MR. ALTEEN: It has not had that effect yet. I can't say that.

MR. HISCOCK: In relation to that being tied in to, I guess, this new set price, somewhat unavoidably, was Newfoundland Power concerned with the Power Purchase Agreement between Hydro and the Muskrat Falls Corporation and how Hydro would be impacted by that Power Purchase Agreement?

MR. ALTEEN: The Power Purchase Agreement – we understand the Power Purchase Agreement. Our concern with the Power Purchase Agreement would be that it permits recovery of Nalcor costs, whether those costs are prudent or reasonable from a utility standard.

Newfoundland Power places a lot of emphasis on its day-to-day operations, on ensuring that its costs are consistent with the power policy of this province. That means that they're the lowest possible cost consistent with reliable service.

We have a pretty decent track record insofar as that's concerned. You know, the last 20 years – the 20 years to the end of 2017 – electricity rates went up on average about four cents a kilowatt hour over a 20-year period. Newfoundland Power was responsible for one-half of one cent of that.

In real terms, our contribution on a per kilowatt hour to the rates our customers pay has gone down in real terms – and its inflation-adjusted terms – by about – by over 20 per cent in the last 20 years. And this is all on record at the Public Utilities Board in our last rate case.

So we spend a lot of time and effort ensuring that our services are affordable and reliable. Muskrat Falls poses a very big threat to us from that regard.

MR. HISCOCK: The escalating supply price model, which Nalcor adopted to deal with this project, that's been discussed in this Inquiry and we can go over it, but could you give me your understanding of that system in broad brushstroke? Or do you –

MR. ALTEEN: I don't understand your characterization –

MR. HISCOCK: Okay.

MR. ALTEEN: – of it a little bit.

MR. HISCOCK: No, absolutely.

MR. ALTEEN: Just explain it to me just so that I can be responsive –

MR. HISCOCK: Absolutely.

MR. ALTEEN: – Counsel, and not ...

MR. HISCOCK: So there's an exhibit – Exhibit 36 provides a description as to why Nalcor adopted this cost recovery approach. And – just one second there now.

It states in part at any rate: “In order to derive an appropriate price for Hydro’s power purchase requirements for the Island, Nalcor has undertaken a supply pricing analysis for MF assuming that Hydro is the only viable customer. The objective of this analysis is to determine the ‘escalating supply price’ (that is, the price per MWh of power actually used by ratepayers, expressed in real dollars, subject to escalation at CPI)”

And I’m just going to jump down a little bit: “It escalates evenly over time, and is applied only” by “power actually used by ratepayers – the early-year burden placed on ratepayers at that time is minimized. This is accomplished essentially by requiring that the equity investor ‘wait’ for its return over the project life.”

And my understanding is that basically it’s a system whereby they’ll recover their capital costs later on, or their share on investment later on, basically to avoid rate shock in the early years?

MR. ALTEEN: I –

MR. HISCOCK: But it means a strong escalation later on, I guess.

MR. ALTEEN: I understand the arrangement that you’re speaking of is that Nalcor has deferred return on the Muskrat Falls Project, but not the Labrador-Island Link –

MR. HISCOCK: Mm-hmm.

MR. ALTEEN: – to mitigate what otherwise would be a substantial increase in customer rates to go ahead with the project, right? That’s how I understand that to work.

MR. HISCOCK: I think we’re on the same page there. So – and, obviously, Newfoundland Power is Nalcor’s chief client, really, or – main client. Would that be correct?

MR. ALTEEN: We’re Hydro’s –

MR. HISCOCK: Sorry, Hydro.

MR. ALTEEN: – biggest customer.

MR. HISCOCK: Hydro’s –

MR. ALTEEN: Yeah.

MR. HISCOCK: – biggest customer, yes.

Do you believe that this back loading – I mean, is that part of the increased risk of this project is the fact that – the deferred return on the project?

MR. ALTEEN: The biggest part of the risk with this project is that it’s way over budget, okay? That’s the big risk and what that effect, if any, that’s going to have on customers’ electricity rates. This arrangement, in the context in which the arrangement is made, has a certain amount of sense because it avoids – it avoids undue hardship for customers. But I think that that was created in the world that was perhaps the sanction-price world of \$7.4 billion. We’re now in a world of \$12.7 billion and that’s a different world, I think.

And the execution of the Muskrat Falls Project has, in terms of risk, really ramped up the risks from a Newfoundland Power perspective somewhat and from our customers’ perspective. Let’s be honest, they’re the person we’re all in this to serve.

MR. HISCOCK: Mmm.

MR. ALTEEN: And so that’s how I’d sort of evaluate that, if that’s an answer to your question.

MR. HISCOCK: Yes, I think so.

In terms of Newfoundland Power and Nalcor, were you guys aligned on your load forecasts prior to this project? In particular, I look to Exhibit P-00058 and at page 19 of that.

And, basically, they were suggesting a 50 per cent increase in the use of power between, say, 2012 and 2067; that it would rise by about 50 per cent. Would that have been consistent with Newfoundland Power’s estimates?

MR. ALTEEN: Can I see the reference first?

MR. HISCOCK: Yes, absolutely.

MR. ALTEEN: Then I’ll answer your question on –

MS. O'BRIEN: It's on the screen.

MR. HISCOCK: Sorry.

MS. O'BRIEN: It's on your screen.

MR. HISCOCK: Okay.

MR. ALTEEN: Yes.

MR. HISCOCK: Page 15 – sorry, can we check page 16 of that same reference there? I think my page reference, the number may have been wrong there. Is there a grid there?

MS. O'BRIEN: (Inaudible.)

MR. HISCOCK: Yes, it was. If you could go down a little bit further down this page – there we go. This chart, comparative energy forecasts, if we're on the same page there now.

MR. ALTEEN: Are you saying does Newfoundland Power think that forecast is reasonable? Is that your question?

MR. HISCOCK: Yes. Yeah, whether that would have been similar to the forecast you guys were working off at the time.

MR. ALTEEN: No.

MR. HISCOCK: Right.

MR. ALTEEN: Because we don't – we've never done a 50-year forecast. We do five-year forecasts which are quite reasonably accurate; they're reviewed publicly on a routine basis. So we've not been involved in this broader or longer term forecast. And as a matter of fact, we were never consulted on this forecast or the reasonableness of it, prior to our first seeing it.

MR. HISCOCK: Thank you.

MR. ALTEEN: Having said that, I can assure you that Newfoundland and Labrador Hydro has always had access to our five-year forecasts. Those are given to them routinely. What they do with it is not – you know, it's not something that they normally consult with us on.

MR. HISCOCK: Does Newfoundland Power believe that despite Muskrat Falls, that we still

require the ability to generate 400 or 500 megawatts directly here on the Avalon Peninsula?

MR. ALTEEN: We have not reached that conclusion yet. We do believe that current indications of the reliability on the Avalon Peninsula, post-commissioning of the Muskrat Falls Project and after the decommissioning of Newfoundland and Labrador Hydro's Holyrood plant, is inadequate.

MR. HISCOCK: Mmm.

MR. ALTEEN: We don't have the solution. Our evidence before the PUB in the Inquiry I went through with Ms. O'Brien is that that would be the next stage of the PUB's consideration. At this stage, we say the first step is to understand the reliability that we will be dealing with and then the next step is to take the normal planning steps you would to shore up the reliability to the extent that you need it. And that becomes questions of reasonableness, becomes questions of customer expectation, becomes all of those question, so that we –

MR. HISCOCK: But –

MR. ALTEEN: – envisage a two-stage –

MR. HISCOCK: But as things stand, we have a fair sense as to, and you had gone over it earlier there in terms of the 14 days of potential blackouts being the current standard, I guess, of if there's a transmission failure from Labrador. I – that's not acceptable in your view, anyways, is – for the reliability of our system.

So what might be some of the alternatives that we would look to to fix that reliability issue if it's not a generation, a relatively local generation capacity there?

MR. ALTEEN: Okay, first up – the 14 days? That could easily be a month if you're up in the long range –

MR. HISCOCK: (Inaudible) mean number, which is (inaudible).

MR. ALTEEN: Yeah, if you're up in the Long Range Mountains, I can't imagine –

MR. HISCOCK: Yes.

MR. ALTEEN: – that you'd get it fixed that fast.

But stepping back from that, there is active consideration and Newfoundland Power is in discussions with Hydro. We talk to each other on a very routine basis. And it looks like – the likely things you would do – would be something with respect to transmission on the AC system to shore up reliability, or greater back-up capacity on the Avalon Peninsula, or some combination of it, of the two of it.

Right now, there are conversations that are taking place, the PUB is in an active investigation, they have their own consultants in this, so what comes out of this is uncertain but it's likely to involve back-up generation and transmission, or transmission or both.

MR. HISCOCK: Yes.

MR. ALTEEN: Right? Some combination of that.

MR. HISCOCK: Do you believe that power could've been purchased for a lower cost, be it either the Maritime or the Labrador links, than is going to be the case under the Power Purchase Agreement between Nalcor and Muskrat Falls Corp.?

MR. ALTEEN: I have to say: I don't know because I haven't checked, okay. So I don't know.

MR. HISCOCK: Mm-hmm.

MR. ALTEEN: But knowing the cost of the Muskrat Falls Project, I can't imagine that we couldn't have got it cheaper.

MR. HISCOCK: Did Newfoundland Power agree that load growth would be curtailed only if rates rose 65 or 70 per cent? Now this is coming from testimony of Mr. Stratton from September 9 and we can go through that if we need.

But the notion that really the load growth only gets curtailed at those kind of increases or do you – does Newfoundland Power operate on a notion that load growth is curtailed at really any

increase in the price? Or how does that – how does Newfoundland Power view that?

MR. ALTEEN: Newfoundland Power's forecast clearly reflect – excuse me – the elasticity of customer demand.

MR. HISCOCK: Mm-hmm.

MR. ALTEEN: Okay.

So, we have the elasticity models that are mandated by the Public Utilities Board, okay. So this is something that's rigorous and regulated. And our elasticity models indicate that within the basis of the past experience, increases in price of 1 per cent, normally reduce demand for Newfoundland Power's customers by something that looks like .2 per cent. So a 1 per cent rise gives rise to .2 per cent reduction in load that you would otherwise have, sales that you would otherwise have.

And, those models have proved quite reliable over time. When it comes to load forecasts and conservation, I can say with confidence that in this year, 2018, Newfoundland Power will be in the third consecutive year of lower energy sales. So, our energy sales are already declined.

MR. HISCOCK: And Newfoundland Power – obviously you've spoken about the reliability concerns – that's been a concern straight from day one and remains today, but that was a concern pre-sanction as you mentioned, correct? Before the Public Utility Board got involved in this, or as soon as they important this was one of the first issues, obviously, on the mind of Newfoundland Power.

MR. ALTEEN: Yes.

MR. HISCOCK: Yeah.

MR. ALTEEN: Yes.

MR. HISCOCK: There was testimony from Mr. Paul Humphries – and this is from November 13, and I can give you that, but he spoke about the greater reliability of the interconnected system after Muskrat Falls had been completed. It seemed to suggest that in many respects, we would have a much more reliable system following the interconnection

and the development of Muskrat Falls than we have presently as an isolated system.

I take it, given your comments on reliability that you disagree with that assessment. That this is – that we will have a more reliable system at the end of this process than we had before?

MR. ALTEEN: Not entirely.

MR. HISCOCK: Okay.

Could you explain that, because that's obviously a little bit (inaudible)?

MR. ALTEEN: One of the benefits of the interconnection to the North American grid is that the Island of Newfoundland – sorry, Newfoundland Power – has access to more resources, at least theoretically. Okay? You have access to the resources that are in the Maritime Provinces, in Labrador, and possibly – and in Quebec too, I think. I think that's – so, you have greater resource reliability than you have today.

So that – so if Mr. Stratton is referring to resource reliability, you – I think that there's some truth to that, and we don't dispute that at all. But when you don't respect certain historical, sort of events – we've had four or five very large transmission failures on the Avalon isthmus area in the last 30 years, 35 years. What's kept the system whole, what's allowed customers to be reasonably served, is the existence of a rather large thermal generator called the Holyrood thermal generating station.

We're taking that out – that's part of the plan, that we're gonna decommission that. Just saying: Okay, but we're gonna have this 1,100-kilometre transmission line, and that's gonna work as well. Well, you might have enough resources, but you still got to get the power over the transmission line, and the mechanical risk – the risk of icing failure. Those types of risks aren't going to improve because you have greater access to other generating resources, so reliability has a number of dimensions. You can't look at it as a unidimensional sort of thing; if that helps explain our view on that. We are very focused on the transmission risk.

MR. HISCOCK: Thank you, that does help explain that.

And – I mean, obviously it goes without saying, but Newfoundland Power – its parent company is Fortis. And between Newfoundland Power and Fortis, you have a pretty incredible experience in construction and megaprojects in your own right, correct? Within the – within Fortis has been heavily involved in those?

MR. ALTEEN: Some of our affiliates have made – have built some pretty big projects. I'm not sure I'm all together that able to talk about them. But yeah, we've done – some of the affiliates have done some real big things.

MR. HISCOCK: And you've spoken – but I mean, Newfoundland Power, and I guess Fortis, but Newfoundland Power has substantial technical knowledge and business experience in this area, if you take (inaudible) obviously.

Is there any other organization in this province that you can think of who would have been better situated than Newfoundland Power and Fortis to be able to make substantive and technical submissions to the Public Utilities Board on Muskrat Falls?

MR. ALTEEN: I can't think of anybody.

MR. HISCOCK: When Ms. Greene testified on October 24 – and this is page 127 of her testimony – she suggested that there was regular communication between yourselves and that there was no suggestion made by yourself or Newfoundland Power or Fortis that – to be involved in the Public Utilities review. Is that correct? That there was no formal communications between you in terms of, we want to be involved, we – you know, this is the role we expect to play or anything like that? What would have been your communications to her on that?

MR. ALTEEN: My communications would largely have been to try to ascertain what the board's latest take on the process was going to be because that's peculiarly a board duty. Initially, we expected that we would play a role –

MR. HISCOCK: Mm-hmm.

MR. ALTEEN: – okay? As events transpired, and the data flows necessary to make it work

didn't pan out like the board expected, ultimately, that placed the board in a certain position vis-à-vis what it could do for public participation.

So we – at the point of the February 1 public notice of the schedule, we made the decision that we couldn't apply our own industry knowledge, technical expertise to this issue. So we said we – if we can't make a meaningful contribution, then I guess we shouldn't be really in the process. But that was a Newfoundland Power decision, and it was based on the fact if we don't have the facts, it's tough for us to express opinions.

MR. HISCOCK: When did you first write to government, or did you ever write to government, to express the concerns that you had with the time frames proposed by the Public Utilities Board?

MR. ALTEEN: We never wrote to government about that.

MR. HISCOCK: Did you ever write to the Public Utilities Board to express those concerns or to demand a technical conference?

MR. ALTEEN: I would have considered that impertinent from a regulated utility –

MR. HISCOCK: Okay.

MR. ALTEEN: – to go to the board and tell the board, in the context of what the board was going through with government, to make that suggestion that we know what to do.

MR. HISCOCK: Did you ever write to government and voice your concerns and suggest that a technical conference might be the way of airing those?

MR. ALTEEN: No, we did not.

MR. HISCOCK: Given that you've noted this is going to have a pretty tremendous impact on your customers and that it may have some impact on your shareholders as well, is there a reason that you wouldn't have written to government and said: We have big concerns, we think this is going to have a huge impact on hundreds of thousands of people in this province. You know, we think it needs to be

aired properly in front of the Public Utilities Board.

MR. ALTEEN: Why didn't we?

MR. HISCOCK: Yeah.

MR. ALTEEN: Is that the simple question?

MR. HISCOCK: Yes, yeah.

MR. ALTEEN: Because we saw that as a matter between the government and the Public Utilities Board. And if you step back and think about it, the Muskrat Falls Project was done in a way – was conceived, announced and has been conducted in a way where the government never sought any opinions of Newfoundland Power. I can't imagine writing them a letter at some point would make any difference whatsoever.

MR. HISCOCK: Well, we'll never know. But would it not have been pertinent to at least have tried to communicate those views, given the stake for your customers and the fact that you had the most technical knowledge of anyone in the province? You had the best – I mean you were best positioned to be able to speak out on the project.

MR. ALTEEN: We considered that to be a political issue and we believed that the government was motivated by the political, not public utility concerns.

MR. HISCOCK: Was there a fear of retaliation from this – from that government should you have spoken out in a public way, or had made some movement in that direction?

MR. ALTEEN: None whatsoever.

MR. HISCOCK: Okay.

Those are all my questions.

THE COMMISSIONER: All right, Edmund Martin?

MR. SMITH: No questions, Mr. Chairman.

THE COMMISSIONER: Kathy Dunderdale?

MS. E. BEST: Good morning, Mr. Alteen. I'm Erin Best. I'm counsel for Kathy Dunderdale.

All the questions that I'll ask you now are in the context of pre-sanction date, so up to December of 2012, okay, if you can stay in that context.

MR. ALTEEN: Yes, okay.

MS. E. BEST: Thank you.

Earlier today you seemed to indicate that Newfoundland Power had been involved in multiple reference questions. How many reference questions were you actually involved in during your time at Newfoundland Power, so prior to 2012?

MR. ALTEEN: I think it was just the rural rates.

MS. E. BEST: Pardon me?

MR. ALTEEN: The rural rate inquiry which would –

MS. E. BEST: Okay, so there were just the two –

MR. ALTEEN: The–

MS. E. BEST: – Muskrat Falls and rural rates?

MR. ALTEEN: Well, we weren't involved in the Muskrat Falls one –

MS. E. BEST: Sorry.

MR. ALTEEN: – as it worked out.

MS. E. BEST: Okay, so were you just at –

MR. ALTEEN: No, it was just the rural rates one was the only one, I think, I had experience with prior to this.

MS. E. BEST: Okay. I think I was confused because it was phrased as the terms of one such reference was the phrasing used, but really it was just the –

MR. ALTEEN: I didn't mean to imply anything more than that.

MS. E. BEST: Okay.

And has there ever been a reference question where Newfoundland Power participated in the forming of the question itself? Does Newfoundland Power have –

MR. ALTEEN: No.

MS. E. BEST: – any right to do that?

MR. ALTEEN: No, that's a government prerogative. We respect that.

MS. E. BEST: Thank you.

And you're aware, of course, that the Lower Churchill project was exempt from PUB review in 1999, right? Late – sorry, late 1999, early 2000 the Exemption Order is dated.

MR. ALTEEN: I don't believe that there has been an addition to Newfoundland and Labrador Hydro's generation resources that hasn't been exempt. Ms. Best, I think they're routinely exempted.

MS. E. BEST: Okay, thank you. That was my next question.

Section 3(b) of the Electrical Power Control Act, I'm sure you're familiar with it, right? That's the section that requires lowest possible cost and reliable service.

MR. ALTEEN: Yeah, I'm familiar with it.

MS. E. BEST: Thank you.

Now, those two things: lowest cost and reliable service, they have an inverse relationship, don't they? I mean, perfect reliability would be prohibitively costly and lowest cost would probably result in less reliable service. Isn't that right?

MR. ALTEEN: I don't agree with that.

MS. E. BEST: You don't?

MR. ALTEEN: No, I don't.

MS. E. BEST: You don't agree that perfectly reliable service would be prohibitively costly?

MR. ALTEEN: I don't agree that there's an inverse relationship in the way that you describe.

MS. E. BEST: Well, would you agree that more reliable service would be more costly?

MR. ALTEEN: Not necessarily.

MS. E. BEST: Generally or usually. Are you saying it's not?

MR. ALTEEN: I'm saying for Newfoundland Power over the past 20 years it hasn't been. Over the past 20 years – if you go back to the 20 years ending in 2017, Newfoundland Power's system reliability – that's the system we own and operate –

MS. E. BEST: Mm-hmm.

MR. ALTEEN: – has improved in both the duration and the frequency of outages by 39 per cent –

MS. E. BEST: Okay.

MR. ALTEEN: – over that 20-year period. Over that same 20-year period, Newfoundland Power's contribution to the rates its customers must pay on a kilowatt-hour basis has gone down 20 per cent in real terms. That's almost 40 per cent better reliability at almost 20 per cent reduced real cost. That, to me, suggests that reliability improvement can be achieved without substantial – increasing costs and it can be achieved on a real basis through reductions in costs.

MS. E. BEST: If a – and this is a hypothetical now, but if you were required to provide perfect reliability, would that cost you more or less?

MR. ALTEEN: I don't think you can provide perfect reliability, right?

MS. E. BEST: Well, near perfect –

MR. ALTEEN: But if you buried all the lines, if you did – you know, if you put the fiction of perfect reliability out there, you would have to pay an exorbitant sum to achieve it.

MS. E. BEST: Thank you.

MR. ALTEEN: But I don't think section 3(b)(iii) of the Electrical Power Control Act requires that.

MS. E. BEST: It requires that a balance be struck between reliability and lowest cost. Isn't that right?

MR. ALTEEN: I would agree with that.

MS. E. BEST: Thank you.

Madam Clerk, could we please go to P-01669, page 33.

UNIDENTIFIED FEMALE SPEAKER:
That's tab 6.

MS. E. BEST: Oh.

So I put to you that here, when we spoke about this page – or when you spoke about this page earlier today, I put to you that that's exactly what Nalcor was doing here, striking that balance between lowest possible cost and reliability. Would you agree with that? They might not have been striking the exact same balance you would have struck, but that was the exercise, right?

MR. ALTEEN: Nalcor here has – if you could just scroll down, thank you – has in the interests of cost –

MS. E. BEST: The lowest possible cost.

MR. ALTEEN: In the interest of minimizing overall cost has opted to apply load rotation, okay? What I'm saying in my evidence is that that – applying load rotation for a substantial number of customers when a single component of an electrical system fails, does not meet North American norms of reliability, okay?

MS. E. BEST: Oh –

MR. ALTEEN: That's what my evidence is. And if you go and read this document in full, you would draw the conclusion, I think, that MHI International drew, that Nalcor was not even applying CSA standards to the Labrador-Island Link.

MS. E. BEST: Well –

MR. ALTEEN: So if you're not going to build it to contemporary standards, then I don't know that you're balancing things in a way that is in the interest of customers.

MS. E. BEST: Can you read for me the paragraph that starts with: Transmission planning, please? And, actually, before you do that, you don't have – or you didn't have, in 2012, expertise in – you weren't an expert in system planning, were you?

MR. ALTEEN: No.

MS. E. BEST: No. So, okay, can you read that paragraph there that starts with transmission planning, please?

MR. ALTEEN: "Transmission planning for reliable integration of the Labrador-Island Link into the Island Interconnected System is within the bounds of good utility practice and falls within the requirements of the NERC reliability standards for transmission planning."

MS. E. BEST: Okay, thank you.

So it seems there that it – the expert system planners at Nalcor found that it was within the bounds of good utility practice. Isn't that what you read there?

MR. ALTEEN: No, what that says is that it – in the writer's opinion it falls within the bounds of good utility practice and falls within the requirements of the NERC reliability standard. What, previously, in the previous 30-odd pages, if you read it you will find it does not meet CSA standards, nor does it meet the standards of the Northeast Power Coordinating Council.

So to say that I'm going to take NERC standards and treat that differently than the other two standards that I'm not going to meet, I don't know that I accept that that's a valid way to determine reliability. That's all.

MS. E. BEST: You don't accept that, as someone who's not an expert in system planning. But somebody who's an expert at system planning here found that it was within the bounds of good utility practice, right?

MR. ALTEEN: I don't know that the person who wrote this is an expert. That's the first thing.

MS. E. BEST: Well, I guess it's –

MR. ALTEEN: I think it's a Hydro –

MS. E. BEST: – written by –

MR. ALTEEN: I think it's a Hydro planning engineer, but I think we have filed an expert's report in the PUB inquiry investigation and that gentleman is clearly an expert in transmission reliability and he has clearly indicated a contrary opinion to this.

MS. E. BEST: Okay. And so did you – who was your CEO at the time? Earl Ludlow, I guess, was it?

MR. ALTEEN: Yes, in 2011 it was Earl Ludlow.

MS. E. BEST: Okay.

And so both this issue and the issue with your participation in the PUB review, what did you do to escalate those issues to your CEO? And we've already heard from Mr. Hiscock's questioning that you – nothing was communicated to government, I understand, but what did you do to escalate it to your then-CEO, Earl Ludlow?

MR. ALTEEN: Mr. Ludlow would've known within a day of my reading it.

MS. E. BEST: Okay.

And how was that communicated? By email? By letter?

MR. ALTEEN: I walked into his office and I said: You should take a look at this.

MS. E. BEST: Okay.

MR. ALTEEN: I think that's how it was communicated.

MS. E. BEST: Okay.

And then – so and – but there was no communication made to government, even though there was an awareness of this issue?

MR. ALTEEN: This is a technical note that lands in our space in the middle of a lot of filings at the PUB, without any, sort of, supporting submission. We took note of it and the first opportunity that we had to bring it to the regulator's attention, we did, and that was in the DarkNL inquiry. And Nalcor opposed us in raising the issue – of this very issue –

MS. E. BEST: Okay, so the DarkNL inquiry, so that's post-2012?

MR. ALTEEN: That's right.

MS. E. BEST: You're not talking about pre-sanction?

MR. ALTEEN: No.

MS. E. BEST: No.

MR. ALTEEN: No.

MS. E. BEST: Okay.

And you spoke earlier about the limited time frame, I guess, for the PUB reference question and the – I guess, the limited scope asking the – what you call the either-or question. Do you seem to think that despite the PUB – or, sorry, the Exemption Order, that government had some sort of duty to ask a fuller question or was required by some legislation to ask a fuller question?

MR. ALTEEN: I believe that the government had the absolute discretion to ask whatever question it wanted, in whatever form it wanted.

MS. E. BEST: Okay. Thank you.

Those are my questions.

THE COMMISSIONER: I think we should take our morning break here now; I just realized it was quarter after 11. So we'll take 10 minutes then.

CLERK: All rise.

THE COMMISSIONER: Mr. Williams, you're next.

Recess

CLERK: All rise.

Please be seated.

THE COMMISSIONER: All right. Former provincial government officials, 0315?

MR. KING: No questions, Mr. Commissioner.

THE COMMISSIONER: Julia Mullaley, Charles Bown?

MR. FITZGERALD: I have no questions, thank you.

THE COMMISSIONER: Robert Thompson?

MR. COFFEY: No questions.

THE COMMISSIONER: Todd Stanley, Terry Paddon? I don't believe is here.

Consumer Advocate?

MR. PEDDIGREW: Good morning, Mr. Alteen.

My name is Christopher Peddigrew, I represent the Consumer Advocate.

I don't have many questions for you today. Some have been answered – asked and answered. Just a few follow-up questions on some of the answers you gave for previous questions.

When you were asked about 50-year forecasting, I think you said that Newfoundland Power does not engage in 50- year forecasting, typically five-year forecasts, is that correct?

MR. ALTEEN: That's correct.

MR. PEDDIGREW: Ever any longer than five years or is five years typically –

MR. ALTEEN: I don't recall anything longer than five years.

MR. PEDDIGREW: Okay.

And any comment on the reliability of doing a 50-year forecast?

MR. ALTEEN: Obviously, the farther you go out when you're predicting or forecasting into the future, the more forecast risk you engage, the more chance you have for error. I think that's just an accepted fact in forecasting.

If you look at most resource planning exercises in the regulated world – and I respect that Muskrat Falls is an unregulated project, it's exempted from regulation – they would typically be 20-ish years or less. That's what you normally would see in resource planning.

So 50 strikes me as a long time, because you do have a lot of room for forecast error if you go that far out into the future.

MR. PEDDIGREW: Okay, thank you.

Just in terms of system reliability – I have a couple of questions for you on that.

And, Madam Clerk, if we could bring up Exhibit P-01672, please?

And, Mr. Alteen, although this is a document – this is Newfoundland Power's 2019-2020 general rate application.

THE COMMISSIONER: Tab 4 in your book.

MR. ALTEEN: Thanks.

MR. PEDDIGREW: Thank you, Commissioner.

UNIDENTIFIED FEMALE VOICE: Tab 8 (inaudible).

THE COMMISSIONER: Oh yes, sorry. Tab 8, I'm sorry.

MR. PEDDIGREW: Okay.

So although it's a document that's many years post-sanction, there is some information in here that, I would submit, is relevant to the time period – the sanction time period – and so I want to direct your attention to that.

So if I could bring you to page 80?

And I just wondered – for the Commissioner, could you explain – or first my question, I guess, would be: Are you familiar with the terms SAIDI and SAIFI?

MR. ALTEEN: Yes, I am.

MR. PEDDIGREW: Okay.

Could you explain what they are?

MR. ALTEEN: They're standard utility reliability metrics. So they're widely used in North American utility analysis of the reliability of electrical systems.

SAIDI is the average amount of time that customers are without power on an electrical system. So it's typically – in the chart there that you see figure 2.4, there's a line there – that would indicate the number of hours that the average Newfoundland Power customer was without power under normal operating conditions.

MR. PEDDIGREW: Okay.

And when you say normal operating conditions, what do you mean?

MR. ALTEEN: I talked a little earlier about CSA standards on transmission systems. Such standards exist for all, you know, for overhead distribution systems too. And all of those systems are built to withstand a certain level of climatic stress or weather stress, okay? Before they're – will break.

When you have those extreme conditions, you would take them out of this calculation.

MR. PEDDIGREW: Okay.

MR. ALTEEN: We would take it out of the calculation because we really want to know how our system performs under the expected conditions within the conditions within the purview of CSA or I triple E, which is another regulator standards.

MR. PEDDIGREW: Okay.

MR. ALTEEN: 'Cause otherwise, if you leave those extraordinary conditions in, you'll get a skewed view of the reliability of your system. It will appear to be unreliable, but it was really designed to break at a certain point.

MR. PEDDIGREW: Okay.

MR. ALTEEN: Right? That's what standards are.

MR. PEDDIGREW: All right, and, so, SAIDI measures the number of hours per year.

MR. ALTEEN: That's right.

MR. PEDDIGREW: And what about SAIFI?

MR. ALTEEN: SAIFI is the same idea but you're dealing with frequency – so that's a number of outages. So if you look at 2.5, you'll see that between –

MR. PEDDIGREW: Madam Clerk, if we could scroll down – sorry, Mr. Alteen – if we could scroll down a little bit to table 2.5, which I believe is in – there we go. Thank you.

MR. ALTEEN: That tells us that under normal operating conditions, Newfoundland Power's customers are – they experience between, I don't know, 1.5 and 2.5 outages a year because of Newfoundland Power's system. And we track these numbers because we wanna know how our system performs, not – not necessarily what the customer sees.

Because what the customer will see, is this outage plus the outages caused by Hydro's system behind us – we're the distributor – and outages caused by extreme events over which, realistically, we have no control. So that – the customer sees all of that.

But this is what we use to evaluate the reliability of our system. And regulators like to see this, because it's proof that our system is performing as it should.

MR. PEDDIGREW: So, would SAIDI and SAIFI capture instances when you were unable to provide power as a result of Hydro assets versus your own assets?

MR. ALTEEN: This number doesn't. You can get those numbers – and I don't know if they're included in this case. If you go to figure 2.8 on page 84 – and if you see this – this is – this is the duration – so this is the first curve you took me to.

MR. PEDDIGREW: Okay.

MR. ALTEEN: Okay?

MR. PEDDIGREW: Yup.

MR. ALTEEN: That's blue, okay? Those numbers are the blue ones.

MR. PEDDIGREW: Okay.

MR. ALTEEN: The red are the events that are considered significant events beyond our control. And if you look at 2010, you will see, okay, there's rather a lot going on there.

MR. PEDDIGREW: Right.

MR. ALTEEN: Big part of it it's hurricane Igor, which was really devastating for our electrical system. And the other one was a very, very big ice storm on the Bonavista Peninsula. We had both of those events in that year. So that's what – that you're seeing there. What this doesn't have is Hydro's outages. So in 2014 you're not seeing DarkNL.

MR. PEDDIGREW: Okay.

MR. ALTEEN: But that's because in going to the board, the board wants to really know how our system is performing. There are other reports filed with the board that give very, very significant detail about the outages that are causing major events like a DarkNL –

MR. PEDDIGREW: Right, okay.

MR. ALTEEN: – the reporting around that. That data is fully available on the regulatory record. But for a rate case, the board is interested in how is your system operating? Is it reliable?

MR. PEDDIGREW: Right.

MR. ALTEEN: Does it meet the lowest consistent cost or lowest cost consistent with reliable service?

MR. PEDDIGREW: Okay.

And if I could take you back to page 82 and 83 – page 83, please, Madam Clerk. Okay, scroll down just a little bit. And at lines 5 and 6 there, Mr. Alteen, so: “The average number of outages experienced by Newfoundland Power’s customers has been broadly consistent with the Canadian average since 2008.”

So, generally speaking, Newfoundland Power is able to provide reliable service in comparison with the rest of Canada. Would you agree with that?

MR. ALTEEN: Yes, I would.

MR. PEDDIGREW: Okay.

And you mentioned earlier during some questions about having access to Holyrood, being so close to the major centre being the Avalon Peninsula. And would – and it may not be related, but would having access to Holyrood being so close to the majority of your customers, would that contribute to, I guess, the performance in terms of SAIDI and SAIFI measurements?

MR. ALTEEN: It would not contribute to what you see in these graphs, okay? But the reliability that our customers see – this is an assessment of our system. The reliability that they see includes outages that are caused by failures or shortages or whatever on Hydro’s system. They see both of it added together.

MR. PEDDIGREW: Right.

MR. ALTEEN: Okay? So if Hydro’s system is more reliable, then our customers get the benefit of that reliability.

MR. PEDDIGREW: And having Holyrood as accessible as it is would improve the reliability of the Hydro system?

MR. ALTEEN: It may. I honestly can’t say that. What I can say is we’re concerned that the – we avoid what I would call severe events

which have a very, very severe consequence. So your reliability statistics may not necessarily be the best measure of one of those five or six critical big failures that you get that create DarkNL circumstances –

MR. PEDDIGREW: Okay.

MR. ALTEEN: – and places society in some kind of stress, right? You may only have one of those for two weeks over a 10-year period. In nine years, it looks pretty good.

MR. PEDDIGREW: Right, but it’s memorable when it happens.

MR. ALTEEN: It can be catastrophic when it happens.

MR. PEDDIGREW: Okay.

Mr. Alteen, you’re familiar with the terms: Rate Stabilization Plan, Rate Stabilization account?

MR. ALTEEN: Yes, I am.

MR. PEDDIGREW: Okay. Could you explain what they mean, just in broad, general terms?

MR. ALTEEN: The Rate Stabilization Plan, Commissioner, is a plan that was originally created in the late 1980s. And it was created to flow through the variations in fuel costs that Hydro experienced for its Holyrood Thermal Generating Station. Because Hydro’s overall costs back then were widely variable, depending on how much fuel they burned and what the price of that fuel was, the board decided it made sense to create an account which would smooth out those – that variability in customer’s rates.

So, each year, around July 1 there’s a – well, it’s not around July 1, it’s on July 1 – there’s an adjustment to rates made to capture the differences in fuel. That’s the genesis of the Rate Stabilization Plan, the RSP.

The RSA is a Newfoundland Power account, so Rate Stabilization account.

MR. PEDDIGREW: Okay.

MR. ALTEEN: It flows those changes in fuel and the RSP – it flows them through

Newfoundland Power to Newfoundland Power's customers. So it mirrors the effect of the RSP. In addition, it also accounts for some minor changes in Newfoundland Power's cost, too, but they tend to be not typically material on a year-to-year basis.

MR. PEDDIGREW: So is – would the overall goal of it to be to avoid any sort of drastic increases or decreases in the price of electricity?

MR. ALTEEN: It's to stabilize rates, yes. That's a fair observation.

MR. PEDDIGREW: And how has it worked, generally, since it was introduced in the late 1980s? Has it been successful in your view?

MR. ALTEEN: Yes. When I started in this business it was 1987, and that was on the tail end of a thing called the fuel adjustment surcharge where they tried to track the differences in Holyrood fuel on monthly bills for customers. And it had a very, very high degree – there was a very, very high degree of customer dissatisfaction concerning the volatility of their bills and their inability to look forward and understand what they're going to have to pay for their electrical service next month. So, yeah, it was a success in terms of what it replaced.

MR. PEDDIGREW: And it's brought some stability to rates, I guess.

MR. ALTEEN: Exactly.

MR. PEDDIGREW: Okay.

Mr. Alteen, Newfoundland Power does own a number of small hydro generating assets around, about 23. Is that – would that sound about right?

MR. ALTEEN: We have 23 hydro plants, yes, we do.

MR. PEDDIGREW: Okay.

And they would generally be small range in terms of outage – from about what to what? I think it's less than a megawatt up to ...?

MR. ALTEEN: Fourteen.

MR. PEDDIGREW: Up to 14, okay.

And any comment on, I guess, the advantages of having access to smaller assets in terms of planning, conservation demand management, things like that? Does it provide an ability to be more nimble, to react to increases or decreases in demand?

MR. ALTEEN: If you're planning resource additions to an electrical system, building a big power plant locks you into decisions because you've got to use all the power created by the big power plant. I think in the case we're talking here, it's Muskrat Falls and that's a big plant.

If you take an alternative approach to planning for your future which says I'm going to address load on a slightly more incremental basis over five-year, 10-year – whatever – 20-year as opposed to making a 50-year bet, yes, it gives you more flexibility. I think that that's true, nimbleness, in your words.

MR. PEDDIGREW: Okay.

And does that improve your ability to introduce and implement things like conservation demand management?

MR. ALTEEN: It allows you to take better advantage of conservation and demand management, because in conservation and demand management you're attempting to modify people's behaviours and – in terms of their usage of the electrical – electricity. It's tough to predict how much people's behaviours are going change 10 years from now much less 50 years from now. If you have smaller additions over slightly lesser time horizons, it allows you to change your up in terms of your load as CDM comes or doesn't come.

MR. PEDDIGREW: Right.

MR. ALTEEN: Right? It appears or doesn't appear.

MR. PEDDIGREW: And how – I think you said – excuse me – that Newfoundland Power has been using CDM since about 2009? Part of its –

MR. ALTEEN: We launched an initiative under the TakeCHARGE banner in 2009, which is – was to increase our – the prominence and focus

we were gonna place on CDM at that time. We were actually doing CDM programs back in the '90s.

MR. PEDDIGREW: Okay. All right.

MR. ALTEEN: And we exited that space in the late '90s, and we re-entered that space in 2009 with the (inaudible) launch of the TakeCHARGE.

So, that's what I was talking about –

MR. PEDDIGREW: Right, okay.

MR. ALTEEN: – there.

MR. PEDDIGREW: Yeah.

And since 2009, how has the uptake been with customers, and how satisfied is Newfoundland Power with the – I guess, achieving targets and – based on the goals that were initially set?

MR. ALTEEN: We've consistently met our targets. It's something we like to do.

MR. PEDDIGREW: So, for your investment, you feel you've gotten value in terms of your targets for CDM?

MR. ALTEEN: The 180 – yes – the 185 gigawatt hours that we expect to take off the system – that 185 million kilowatt hours I spoke of earlier cost – will cost between \$60 and \$62 million to do.

MR. PEDDIGREW: Right. (Inaudible) –

MR. ALTEEN: Right? That's good value in our estimation.

MR. PEDDIGREW: Okay.

There was some reference during some earlier questions to the Knight Piésold report.

Did you – have you ever seen a copy of that report?

MR. ALTEEN: No, I have not.

MR. PEDDIGREW: Did Newfoundland Power, at the time – I guess in the lead-up to the

PUB process, of which Newfoundland Power was not necessarily an active participant, but – did Newfoundland Power commission its own report at that time?

MR. ALTEEN: No, we did not.

MR. PEDDIGREW: Okay, and would the reason being just that – not being an active participant in the process, it just was felt to be unnecessary?

MR. ALTEEN: It's – you need data to do that type of report. And the – one of the big reasons there were RFIs and Nalcor-prepared exhibits in that period between June and November, as I understand it, was that they were responding to Manitoba Hydro International, sort of, technical questions, and Knight Piésold technical questions for the Consumer Advocate –

MR. PEDDIGREW: Okay.

MR. ALTEEN: – and those – that data, which they were providing, was what fed the Knight Piésold report and the MHI report, because those folks cannot come up with an experts' report, or –

MR. PEDDIGREW: Right.

MR. ALTEEN: – an opinion that's worth anything, unless they have good data. So Nalcor – a lot of the way the thing played out, I think, was Nalcor was providing these two experts with data.

MR. PEDDIGREW: Right. Okay.

MR. ALTEEN: Right.

MR. PEDDIGREW: You mentioned, as well, that – you are partnering Newfoundland and Labrador Hydro in terms of CDM.

Can you just elaborate on that a little bit – what you mean by partnering?

MR. ALTEEN: Back when we decided to get back into conservation and demand management programming – customer programming – this would have been shortly after the Energy Plan – we would have commissioned with Hydro –

MR. PEDDIGREW: So, would have been around 2009, you mean, right?

MR. ALTEEN: 2008.

MR. PEDDIGREW: Okay.

MR. ALTEEN: Probably.

MR. PEDDIGREW: Okay.

MR. ALTEEN: We started – I think the Marbek report came into our hands in 2008 – I could be mistaken. I wouldn't be far off and that became, sort of, like the starting document. What's a potential here?

We did that with Hydro and we reached an understanding with Hydro that from a customer perspective, it's better to do this in a way that isn't Hydro program and Newfoundland Power program. Let's try to do our best to make it easier for customers.

So, we sort of envisaged doing joint planning with Newfoundland and Labrador Hydro and then, you know, having programs that were administered similarly – they're not exactly the same 'cause Hydro's customer base is going to be different than ours and that's okay. But similar in terms of how it's seen from the customer perspective

So, that's what I mean by joint planning. We do joint planning in a lot of the – the mark is the TakeCHARGE mark. It's advertised and it's used by both of us in this similar way. And that's meant so that customers get a singular – a singular sort of view on it.

MR. PEDDIGREW: Right. Okay.

MR. ALTEEN: And we also decided to do it via the web and do it – we made a couple of decisions like that to make it more of a – efficient process.

So, it's worked reasonably well. From our perspective, we're reasonably happy with it.

MR. PEDDIGREW: And most of the information you just gave was from a – like a marketing, communication's point of view –

there was partnering with Newfoundland and Labrador Hydro.

But was it also from a – in terms of what targets were set or what your forecasts were – were you partnering with them on those issues as well or was it just more from a communications and marketing point of view to the customer?

MR. ALTEEN: No. I think – I think we used it from a planning perspective – the initial Marbek report in 2008 was – I think it was commissioned for Newfoundland and Labrador Hydro and Newfoundland Power. So, we're using common planning documents. Now, each of our service territories have slightly different forecasts.

MR. PEDDIGREW: Right.

MR. ALTEEN: So, it's not – you know, it's not one-size-exactly-fits-all, but we're using the same planning sort of assumptions and things like that.

MR. PEDDIGREW: Mr. Alteen, just in terms of the issue of reliability and what's ongoing now with the PUB for, you know, backup if the Labrador-Island Link went down, there's been some discussion with previous witnesses about the Maritime Link potentially be a backup source if the Labrador-Island Link went down.

Do you have any thoughts on, I guess, the reliability of the Maritime Link being a backup source? I guess I'll add this to my question – while knowing that right now – as far as we're aware – there are no firm contracts in place by which Nalcor could acquire power. It's hypothetical right now.

MR. ALTEEN: The Labrador Link to our knowledge is quite technically – or not the Labrador Link, excuse me – the Maritime Link is quite technically able to provide the 300 megawatts of emergency support that you've heard about. We think that it is – that's there's no technical limitation there whatsoever.

We are aware that as yet, there's no commercial arrangement that means you're going to get any power and that's a practical limitation on how much you can rely on it – today. It is our understanding that Nalcor or Hydro or Nalcor

and Hydro continued to pursue that with a view to firming that up so that that 300 megawatts of support might be available if it is.

This invokes, you know, this isn't easy work or simple work, because that may mean getting into a contractual arrangement in Nova Scotia, where you have to fire up some type of generator that you just can't turn the switch and fire it up – it might take a day or two. So there's going to be all – but we understand that they're pursuing that and we are –

MR. PEDDIGREW: Right.

MR. ALTEEN: – watching and discussing that with them.

Whether we get there or not, I don't know, let's wait and see – that's our attitude with respect to that. But even if you get it – the 300 megawatts of support – we're still gonna have problems on the Avalon Peninsula, because there are transfer capabilities associated with the AC transmission system, if the DC Link, the Labrador-Island Link is down.

MR. PEDDIGREW: Okay.

Could you elaborate on that a little bit please, what issues are there with the AC system? Just –

MR. ALTEEN: Okay.

If you lose the Labrador Link and you don't have Holyrood in operations any more, then the ability to transfer the necessary power across the three principal transmission lines from Bay d'Espoir – four actually: it's three from Bay d'Espoir to Western Avalon and one that comes down through Gander and Clarendville to the Avalon.

So those four lines – the ability to get enough power across those lines with – maintaining voltage, is very hard in winter peak conditions, okay? That's called the transmission constraint; your ability to transfer the power over that series of AC lines is limited, okay?

MR. PEDDIGREW: Okay.

MR. ALTEEN: That limitation has existed on our system – the Avalon Peninsula has had a

transmission constraint that's been well known to Hydro, it's well known to Nalcor planners, it's well known to us, it's well known to the Public Utilities Board for some time. Addressing that is the real matter before the Public Utilities Board beside the Maritime Link support.

MR. PEDDIGREW: Okay.

MR. ALTEEN: Okay? So that's another type of issue you've got to deal with.

MR. PEDDIGREW: So even if we could get power from Nova Scotia or via Nova Scotia and the Maritime Link, we still have this issue with the AC?

MR. ALTEEN: We aren't necessarily out of the woods yet, but Hydro has filed more material on that as recently as a couple of weeks ago.

MR. PEDDIGREW: Okay.

MR. ALTEEN: Okay? And so those conversations were ongoing.

MR. PEDDIGREW: And these issues would've been known back at the time that – before sanction of the Muskrat Falls Project? Back in the 2010, '11, '12 period?

MR. ALTEEN: No.

MR. PEDDIGREW: They would not have known it?

MR. ALTEEN: No. Well, I shouldn't say – we were not aware of the extent of the limitations created by taking – decommissioning Holyrood and replacing it, in effect, with the Labrador-Island Link, that 1,100 kilometre transmission line. We were not fully aware of all of this. It did not – I don't think it had been fully modelled at that time, but I don't know.

MR. PEDDIGREW: When did you become aware?

MR. ALTEEN: In the post-DarkNL investigation, as more and more analysis was being undertaken, we got a better view of what the future might look like under a bunch of different planning scenarios at different times of the year. So those studies take some time, they

are progressing and, you know, we're very much a participant in that discussion with Hydro.

MR. PEDDIGREW: And you became aware of it as part of the PUB process after DarkNL?

MR. ALTEEN: Well, no, we became aware when we – once you'd say as a reliability planning tool – that 00106. Once – I think it was Exhibit 00106, wasn't it, that we were – yeah. Once you say that you've got to rotate power, that's indicative of other issues on your system, on your electrical system. That's the response to something.

We didn't know exactly all of the details in terms of the load flows and system planning that generated the need for such a response. But when we saw the response we said: This needs investigation. This is not, perhaps, what we should be thinking of as a first solution.

MR. PEDDIGREW: And do you know whether – you know, based on what you've come to know through this process, do you know whether Newfoundland and Labrador Hydro were aware of it at the time or whether it's just something they had not looked into? Or do you know the answer? And when I say at the time I mean prior to sanction.

MR. ALTEEN: I don't know.

MR. PEDDIGREW: Do you know whether they looked into it, based on what you've seen since?

MR. ALTEEN: They're looking into it now. And I believe they're – it's a good-faith examination of the issues that was raised.

MR. PEDDIGREW: You don't know whether they considered it back before sanction or not?

Yeah, I mean, if you don't know, that's okay.

MR. ALTEEN: I don't think they thought of the response to it because they had reached the conclusion that the interest of customers was best served by rotating the load. They reached that conclusion and their planners had done that. I – that's what the document says and I believe that that's what they believe at all points in time. Beyond that, that's not our view of the world.

MR. PEDDIGREW: Okay. Fair enough.

One of the questions that was put to you was whether cheaper power would be available elsewhere – Hydro-Québec or through Nova Scotia – for purchase by Newfoundland Power. But does Newfoundland Power have the ability to purchase from anybody other than Newfoundland and Labrador Hydro, even if it were able to find cheaper power?

MR. ALTEEN: No.

MR. PEDDIGREW: And last question, Mr. Alteen: A couple times you referred to the cost estimate at the time of sanction for the Muskrat Falls Project as 7.4 billion as opposed to 6.2, which a lot of people have referred to it as 6.2, but 7.4 includes interest. So from your point of view I mean that would be the true cost estimate at sanction, I suppose. Is that why you referred to it as 7.4?

MR. ALTEEN: The project costs of a project like this typically includes the cost of finance and construction. That's the way this is done. You can talk about the construction cost and say that that's different than the financing cost, but when the time comes to pay for the project –

MR. PEDDIGREW: Your customers are going to pay for that.

MR. ALTEEN: – they're looking to recover construction costs plus the financing costs.

MR. PEDDIGREW: Right.

Okay, those are all my questions. Thank you.

THE COMMISSIONER: Former Nalcor Board Members?

MS. G. BEST: No questions, Mr. Commissioner.

THE COMMISSIONER: Newfoundland Power Inc.?

MR. KELLY: No questions.

Thank you, Commissioner.

THE COMMISSIONER: All right, thank you very much, Mr. Alteen. You can step down.

Or any redirect, sorry? Okay.

Thank you, you can step down.

Your wish at this stage, Mr. Learmonth and Ms. Best?

MS. E. BEST: (Inaudible.)

THE COMMISSIONER: Okay, so she's ready to proceed?

MS. E. BEST: (Inaudible.)

THE COMMISSIONER: So our next witness, then, is Kathy Dunderdale.

Actually, we can take five minutes or so just until we get everything teed up.

Recess

CLERK: All rise.

THE COMMISSIONER: All right, be seated now, thank you.

All right, Mr. Learmonth.

MR. LEARMONTH: Yes. The next witness is Ms. Kathy Dunderdale.

Before Ms. Dunderdale is sworn, I'd like to have some exhibits entered. They are P-01586 to P-01599, P-01605 to P-01636, P-01648, P-01656, P-01658 to P-01668. If those could be entered, please.

THE COMMISSIONER: What was the last one, 01668?

MR. LEARMONTH: 01668.

THE COMMISSIONER: Those will be marked as entered.

And does Ms. Dunderdale wish to be sworn or affirmed?

MS. DUNDERDALE: Sworn.

THE COMMISSIONER: Sworn.

MS. DUNDERDALE: (Inaudible.)

THE COMMISSIONER: If you could stand and just place your right hand on the Bible, please.

CLERK: Do you swear that the evidence you shall give to this Inquiry shall be the truth, the whole truth and nothing but the truth, so help you God?

MS. DUNDERDALE: I do so swear.

CLERK: Please state your name for the record.

MS. DUNDERDALE: Kathleen Dunderdale.

CLERK: Thank you.

MR. LEARMONTH: Ms. Dunderdale, you reside in St. John's, do you?

MS. DUNDERDALE: I do.

MR. LEARMONTH: Yes.

And could you state your education after high school?

MS. DUNDERDALE: I had three-and-a-half years at Memorial University. I'm three-quarters through a change management course at Queen's University.

MR. LEARMONTH: Yeah. You're involved in that now?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: All right. So when did you leave your studies at Memorial?

MS. DUNDERDALE: 1974.

MR. LEARMONTH: 1974.

And can you give us a brief summary of what type of work you undertook between 1974 and when you were elected to the House of Assembly in October 2003?

MS. DUNDERDALE: (Inaudible.)

MR. LEARMONTH: I don't need anything in detail, but just a general overview.

MS. DUNDERDALE: Well, Commissioner, for the first five years I was a stay-at-home mom. And then I went to work with the Department of Social Services for the Government of Newfoundland and Labrador, and I worked there through the late '80s, early '90s.

At the time of the cod moratorium, I was asked to be a member and later chair of an appeals committee for inshore fishers under a reimbursement program, a financial program as a result of the moratorium. Once I completed that work after about a year-and-a-half, two years, I went to work with the Advisory Council on the Status of Women as a communications person and a community liaison.

And upon leaving that in 2001, I went to work as a partner in my husband's business – P.E. Dunderdale and Associates, which was a marine company – as a researcher and writer. And it was from that job that I put my hat in the ring in 2003 for a seat in the House of Assembly.

MR. LEARMONTH: All right.

And you – as I said before, I think you can confirm that you were elected to the House of Assembly in October 2003.

MS. DUNDERDALE: I was.

MR. LEARMONTH: And I understand you served as minister of Innovation, Trade and Rural Development from November 6, 2003 until July 5, 2006 – is that correct?

MS. DUNDERDALE: That's right.

MR. LEARMONTH: And then minister of Natural Resources from July 5, 2006 to December 6, 2010?

MS. DUNDERDALE: That's right.

MR. LEARMONTH: Then – and also deputy premier from October 31, 2008 to December 3, 2010?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: And then premier from December 3, 2010 to January 24, 2014?

MS. DUNDERDALE: That's correct.

MR. LEARMONTH: And then when you stepped – after you stepped down in – as premier, you still were a Member of the House of Assembly and, ultimately, resigned your seat in – on February 28, 2014?

MS. DUNDERDALE: That's right.

MR. LEARMONTH: And that's your political career.

MS. DUNDERDALE: It is.

MR. LEARMONTH: Yes.

Now, I have a few preliminary questions. Have you watched the proceedings of the Commission in whole or in part?

MS. DUNDERDALE: In part.

MR. LEARMONTH: In part.

And you were – you gave an interview here at the Commission office on – it started on October [sp August] 20 and then you needed some additional time and it resumed on October – excuse me – August 22. August 20 was the first stage and then August 22 was the second – a Monday and a Wednesday. Do you recall that?

MS. DUNDERDALE: Yes, I do.

MR. LEARMONTH: Yeah.

Is it correct that you met with Edmund Martin some time between those two dates?

MS. DUNDERDALE: I'm not sure if it was between those two dates. I know that I met with Mr. Martin for about two hours.

MR. LEARMONTH: Yes.

MS. DUNDERDALE: It may have been somewhere after his testimony, but I think it might've been before mine. I'm not sure though.

MR. LEARMONTH: You say before his testimony: You mean his interview or his testimony at the Commission?

MS. DUNDERDALE: It was – I think it was after his interview, but before mine.

MR. LEARMONTH: Okay. So you met with him about – for about two hours, is that correct?

MS. DUNDERDALE: That's correct.

MR. LEARMONTH: And since that meeting – I know you don't know the exact date – have you had any communication, of any kind, with Edmund Martin, either directly or indirectly?

MS. DUNDERDALE: No, I haven't.

MR. LEARMONTH: None. Okay.

Now, I wanna ask you some – a few questions at the beginning – we're gonna go into these points in greater detail, but I just wanna touch on these and then we'll move forward and return to them.

The first question I have is: At the time of sanction of the Muskrat Falls Project on December 17, 2012, did you know or were you aware that Manitoba Hydro International did not perform a risk assessment in its DG3 review because the risk analysis item had been removed from the scope of work it had proposed to the Government of Newfoundland and Labrador in April 2012? Were you aware of that?

MS. DUNDERDALE: No, I wasn't.

MR. LEARMONTH: When did you first become aware of it?

MS. DUNDERDALE: I'm not sure if I became aware of it either in the interview or listening to this Inquiry.

MR. LEARMONTH: Okay.

But you're clear and categorical in that you were not aware that Manitoba Hydro – at any time before sanction you were not aware that Manitoba Hydro International had not performed a risk assessment on the Muskrat Falls Project cost estimates? You're clear on that, are you?

MS. DUNDERDALE: I am clear.

MR. LEARMONTH: Okay.

The next question is: at the time of sanction of the Muskrat Falls Project on December 17, 2012, did you know or were you aware that there was nothing, absolutely nothing, for strategic risk in the \$6.2 billion project cost estimate?

MS. DUNDERDALE: I knew there was a 7 per cent contingency –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – in the 6.2 billion number.

MR. LEARMONTH: Yup.

MS. DUNDERDALE: I refer to it as contingent risk.

MR. LEARMONTH: Yes.

MS. DUNDERDALE: I didn't refer to it or know about it as anything else –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – other than that, so if somebody – I wouldn't have labelled risk in different categories. When we talked about risk, we talked about it generally –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – or we talked about it as contingent risk.

MR. LEARMONTH: Okay, so the 7 per cent, that's the tactical risk amount of \$368 million, which was included –

MS. DUNDERDALE: Yes.

MR. LEARMONTH: – in the \$6.2 billion capital cost estimate. So that, we're clear on that.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: But you – were you aware that there was nothing included in the 6.2 billion for any other risks?

MS. DUNDERDALE: No, I knew about the 7 per cent and the 6.2 –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – and I knew there was no particular amount of money designated outside of that, outside of the 7 per cent.

MR. LEARMONTH: Were you aware that there were other risk items that weren't accounted for in the \$6.2 billion estimate, or did you believe that all known risks at the time were accounted for in the \$6.2 billion?

MS. DUNDERDALE: I believed all risks were accounted for –

MR. LEARMONTH: All risks.

MS. DUNDERDALE: – in the 6.2.

MR. LEARMONTH: All risks, okay.

Now, while you were the minister of Natural Resources – I understand that for part of the period when you were the minister of Natural Resources, Robert Thompson was your deputy minister, is that correct?

MS. DUNDERDALE: Yes, he was.

MR. LEARMONTH: From, I think, December 2008 to December 2010, just after the term sheet had been signed?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: That correct? And, when you met with Nalcor officials, would it be common or regular for Mr. Thompson to be present?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Would you say that would be, maybe not all the time, but almost all the time?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Okay, so he would be present, and you relied on Mr. Thompson, did you?

MS. DUNDERDALE: I did.

MR. LEARMONTH: And you found him to be a very capable person?

MS. DUNDERDALE: Extremely capable.

MR. LEARMONTH: Yup. And – so in terms of your knowledge, when you were minister of Natural Resources, would Mr. Thompson's knowledge have been at least as high – at a high level as yours would be?

I mean, would you know more about it than he would, or would he know more about it than you would, or would your knowledge of the Muskrat Falls Project be similar?

MS. DUNDERDALE: I would probably know more about it in some areas than he did, because I had been with the file longer.

MR. LEARMONTH: Okay.

What areas would you have superior knowledge to – than that of Mr. Thompson? That's from the period December 2008 to December 2010 when he was deputy.

MS. DUNDERDALE: Well it would have been early in 2006, 2008 –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – from the time I went to the department –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: – until the time I was joined there by Robert.

MR. LEARMONTH: Okay; but for the time when Mr. Thompson became deputy, would your knowledge of the project thereafter be the same as his?

MS. DUNDERDALE: Very similar.

MR. LEARMONTH: Very similar.

You wouldn't – if you found out something about a project you would advise him and –

MS. DUNDERDALE: Absolutely.

MR. LEARMONTH: – vice versa?

MS. DUNDERDALE: Absolutely.

MR. LEARMONTH: You're absolute on that, are you?

MS. DUNDERDALE: I don't know what circumstance in which I wouldn't share information.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: Somebody from my department at the time would have been with me at all times, all meetings with Nalcor.

MR. LEARMONTH: Yeah. With the result that there would be no information that you'd have that wouldn't be known in your department, is that correct?

MS. DUNDERDALE: Yes, that's correct.

MR. LEARMONTH: Okay.

And while you were minister of Natural Resources, did you meet with Nalcor officials on a regular basis?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Yeah.

And would there be – have been a schedule for these meetings or would it have been just when something arose?

MS. DUNDERDALE: There wouldn't have been a set schedule, although we always tried to ensure that we met within certain timelines.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: So not to go three and four weeks without having a meeting.

MR. LEARMONTH: Yeah.

And while you were minister of Natural – while Robert Thompson was there as deputy minister he would – he or some other official of Natural Resources, maybe Charles Bown, would always be present at meetings you had with Nalcor representatives?

MS. DUNDERDALE: I never had a meeting with Nalcor representatives without a departmental person with me or somebody from the premier's office with me.

MR. LEARMONTH: Okay.

And would that be – would that have been from time to time Charles Bown?

MS. DUNDERDALE: Charles would have been one of the people at the table.

MR. LEARMONTH: Yeah.

And at the table, would there – would it be reasonable to assume that sometimes you'd have more than one official with you?

MS. DUNDERDALE: Oh yes.

MR. LEARMONTH: Yeah. Yeah.

So while you were minister of Natural Resources – we'll deal with premier later, but minister of Natural Resources – you would not have met with Nalcor representatives without there being present at least one official from the Department of Natural Resources, is that correct?

MS. DUNDERDALE: Mr. Learmonth, Commissioner, there was only one time ever that I could ever remember meeting with Ed Martin alone. And it was during the negotiations on Hebron. And it was extremely important to me as minister that there be a gender and diversity clause –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: –in the agreement. And negotiations were slowing down a bit around that issue and Mr. Martin came for a visit to my office and we – just the two of us sat and talked for about two hours around that issue so that he could move the negotiations forward. In my full

10 years at government this is the only time that I remember of us ever meeting alone.

MR. LEARMONTH: All right. And you said that particular meeting when you did meet alone with Mr. Martin, would have been over Hebron?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Not Muskrat Falls?

MS. DUNDERDALE: Not Muskrat Falls.

MR. LEARMONTH: In any way? (Inaudible.)

MS. DUNDERDALE: No.

MR. LEARMONTH: No. All right.

Now during these meetings – and I take it that you met – while you were minister of Natural Resources – the Nalcor representative with whom you and your officials would have met would have been Edmund Martin? Is that correct?

MS. DUNDERDALE: We would have met with Mr. Martin, also Gilbert Bennett –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: And Derrick Sturge –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: Jim Keating.

MR. LEARMONTH: Yes. Anyone else?

MS. DUNDERDALE: That's all I can recall just off the top of my head, right now.

MR. LEARMONTH: Okay. Did you –

MS. DUNDERDALE: There may have been others.

MR. LEARMONTH: Did you or anyone else who was present at the meeting to your knowledge, keep any record or notes of these meetings?

MS. DUNDERDALE: Well Commissioner, I kept notes as I moved through meetings and so

on. However, I didn't attached a great deal of importance to my notes other than there as a method to inform me, or things I needed to check on before we went to our next meeting. So I never removed them from the department.

MR. LEARMONTH: No –

MS. DUNDERDALE: When I left government, I didn't take any of my personal notes with me.

MR. LEARMONTH: But I don't believe we've seen these notes. Have you seen them in the documents you've –

MS. DUNDERDALE: No.

MR. LEARMONTH: – received from the Commission?

MS. DUNDERDALE: I have no idea where they might be. All I'm telling you is I didn't take any of those things from my offices when I left.

MR. LEARMONTH: So were you a regular or habitual note keeper? We know Mr. Kennedy was. Were you a regular –

MS. DUNDERDALE: Not in the same class at all –

MR. LEARMONTH: No –

MS. DUNDERDALE: – Mr. Learmonth.

MR. LEARMONTH: – yup. I don't mean that as a negative comment, but I –

MS. DUNDERDALE: Nor do I –

MR. LEARMONTH: – you know what I'm saying?

MS. DUNDERDALE: – I – no.

MR. LEARMONTH: Okay.

So you – but you did keep notes. Perhaps not as detailed as Mr. Kennedy would have taken, but you did keep notes of all meetings?

MS. DUNDERDALE: From time – I kept notes from time to time, but I wouldn't have taken

them as the standing record of what had been discussed. They'd be more points for me on pieces of information that I needed to seek or get more detail on or revisit in some kind of a way.

MR. LEARMONTH: Okay.

So now – so we're going to move now. We were talking about the period when you were minister of Natural Resources and now I'm going to ask you about the same line of questions about when you were premier and then – and Robert Thompson was clerk. I think you – when you were appointed premier you asked him to come along as clerk and he agreed. Is that right?

MS. DUNDERDALE: I did.

MR. LEARMONTH: Yeah. So did you have the same kind of meetings with Nalcor representatives when you were premier as you did when you were minister of Natural Resources?

MS. DUNDERDALE: Exactly the same, Commissioner.

MR. LEARMONTH: The –

MS. DUNDERDALE: The premier was always involved significantly in the Nalcor file. And so even as minister, the bulk of the meetings that I would have had with Nalcor officials would have taken place in the premier's boardroom.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And when I became premier I carried on that practice. And that's normal practice when the premier's engaged in any kind of a meeting across government; it usually takes place in the premier's boardroom.

MR. LEARMONTH: Yes. So your earlier comments I apply – or I should ask you whether they do apply, that you met only one time in your life with Edmund Martin, while you were in government, alone, and that was to discuss Hebron. Correct?

MS. DUNDERDALE: That is the only –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – time I can recall.

MR. LEARMONTH: So that when you would meet with Mr. Martin or other representatives of Nalcor while you were premier, there would be at least one official with you and oftentimes more than one?

MS. DUNDERDALE: There would be more than one because I would never meet with Nalcor without the minister. And –

MR. LEARMONTH: Minister of Natural Resources?

MS. DUNDERDALE: That's right.

MR. LEARMONTH: You never would.

MS. DUNDERDALE: No.

MR. LEARMONTH: And would you ever meet with them without Robert Thompson if he was available?

MS. DUNDERDALE: If Robert was available, Robert would be in the meeting.

MR. LEARMONTH: Yeah, and –

MS. DUNDERDALE: But there might be other officials there as well.

MR. LEARMONTH: Would they be political staff or civil servants?

MS. DUNDERDALE: Well, the chief of staff might be there. That's a political position.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: Communications director might be there. That's not a political position.

MR. LEARMONTH: Right.

MS. DUNDERDALE: The minister would very likely bring some of his own staff from the department.

MR. LEARMONTH: Yeah.

So would these meetings – I know that they would have varied in terms of the number of people attending them, but would they normally be, you know, eight to 10 people, or 10 to 12? Can you give us some scope, when you were meeting with Nalcor?

MS. DUNDERDALE: Normally it wouldn't be 12 people.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: You know, it would be six to eight people maybe.

MR. LEARMONTH: All right, okay.

By the way, in the question of your notes, did you make inquiries as to what happened to your notes because it's – you know, it's unusual if you left them in your office that they wouldn't have surfaced somehow? Did you ever check into that?

MS. DUNDERDALE: No, I had no interest in them, Mr. Learmonth, so they weren't important to me. So I didn't make an inquiry.

When I left my office as premier, Commissioner, I left with my hat and coat. And staff packed up the office and sent it to my new location. And it took me some time to go through those boxes to see what was in there.

MR. LEARMONTH: Yes.

Now, in terms of communications with Nalcor while you were both minister of Natural Resources and premier, would your communications be in the form of emails, telephone calls – or emails, I should say, in writing, or fax messages?

MS. DUNDERDALE: To whom, Mr. Learmonth.

MR. LEARMONTH: To people at Nalcor.

MS. DUNDERDALE: No, not my communications, Mr. Learmonth.

MR. LEARMONTH: No.

MS. DUNDERDALE: I would – on occasion it wasn't unusual for me to pick up the phone and call Mr. Martin if I wanted the answer to a question or I was puzzling about something.

MR. LEARMONTH: Yes.

MS. DUNDERDALE: But, otherwise, I would communicate through Mr. Thompson or my chief of staff, and Mr. Martin would communicate likewise to set up meetings and so on.

MR. LEARMONTH: All right.

Now, we've seen a lot of these slide decks that Nalcor appear to have used in their communications very often. Did you ever receive any reports from Nalcor – I'm not talking about the slide decks because we have a lot of them but any, like, you know, standard, like written reports?

MS. DUNDERDALE: It's so far ago – so long ago, Mr. Learmonth, I couldn't say.

MR. LEARMONTH: Okay.

MS. DUNDERDALE: And in those cases, those reports would have been gone through certainly before they got to my desk, and I would've reviewed them with the clerk or the clerk and the minister.

MR. LEARMONTH: All right.

Now, at some point the amount of the estimates for DG2 and DG3 would have been communicated to you. Is that correct?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Because, either in your capacity as minister of Natural Resources or as premier (inaudible)?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Now, did you ever receive, like, a full support package or a – was it just a summary of the figure without any backup? Can you give us some idea about – on that topic?

MS. DUNDERDALE: Well, we would have gotten all of the numbers, particularly in the Department of Natural Resources. There's not capacity to do particular kinds of work in the premier's office. What happens, if information comes in there, it gets disseminated out to the relevant departments to do research, to do the background, to do the analysis and report up.

But, certainly, in terms of in the ministries, once you're given information – so, for example, in Natural Resources we would've been given the background information. And, you know, while I wasn't absolutely sure during our interview, I've learned since through the Commission that, you know, there was a full CPW analysis done within the department while I was minister.

MR. LEARMONTH: Yeah, but I'm talking about the cost estimates.

MS. DUNDERDALE: The numbers, I'm not – could you just be more clear in your question?

MR. LEARMONTH: Well, the cost estimates – the capital cost estimates.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: So this project is going to cost \$5 billion or \$6 billion and all the backup as to how that figure was arrived at.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Are you saying your department received a full package of backup documents?

MS. DUNDERDALE: They did because they did a CPW analysis. And in order to do that analysis, while I wouldn't have seen the numbers, they would have certainly had to have the information.

MR. LEARMONTH: Well, they had the information, there's no question about that, but I'm asking whether they had the full support package or not, because we haven't seen it.

MS. DUNDERDALE: I don't know, Mr. Learmonth.

MR. LEARMONTH: You don't know?

MS. DUNDERDALE: I don't know.

MR. LEARMONTH: No, okay.

Now, I take it you're aware at this point the Department of Finance or any other government department never conducted a review of the capital cost estimates. You're aware of that now, are you?

MS. DUNDERDALE: Well, I'm aware of the analysis that was done within the Department of Natural Resources. I don't know that there was an analysis done beyond that department.

MR. LEARMONTH: Well, the information we have from Terry Paddon – and I believe it was confirmed by Tom Marshall to some degree – that the Department of Finance didn't have the capability of doing a comprehensive review of the capital cost estimates. You're – did you hear that evidence? I mean, that's –

MS. DUNDERDALE: Yes, I did hear that evidence.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And to a large degree, the capacity that existed with the Department of Finance existed in the Department of Natural Resources, plus there were other competencies beyond that. So the Department of Natural Resources would have been the more appropriate department to do a review in any case.

MR. LEARMONTH: But we don't have any information at all to say that there was a detailed examination done of the capital cost estimates, either at DG2 or DG3. I acknowledge that there is evidence, there was some work done in the CPW but not on the actual capital cost estimates.

Do you agree with that?

MS. DUNDERDALE: If you're asking me: Did government take Nalcor's numbers and go get an independent analysis –

MR. LEARMONTH: No, I'm not talking – I'm talking – we'll talk about that later.

But what I'm talking about now is an internal – some department of government subjecting the capital cost estimates for both DG2 and DG3 to a rigorous examination.

MS. DUNDERDALE: I am not aware, Mr. Learmonth. When I was told that the numbers were examined, I expected that it was done comprehensively.

MR. LEARMONTH: Yeah, by government?

MS. DUNDERDALE: By the Department of Natural Resources.

MR. LEARMONTH: Yeah. So you thought that there was a comprehensive, detailed -

MS. DUNDERDALE: There was -

MR. LEARMONTH: – review done of the DG2 capital cost estimates and the DG3 capital cost estimates?

MS. DUNDERDALE: When I was told there was a CPW analysis completed, I took that to be a review of the information that had been provided by Nalcor and by the experts that Ed had taken on and reviewed with all of the skills and information that we had within the Department of Natural Resources.

That's what I understood.

MR. LEARMONTH: And are you suggesting that if – as I said before, Finance has said that they didn't have the capability of doing a thorough review of the capital cost estimates.

Are you saying that there were people in the Department of Natural Resources who had greater capabilities in this area than the people in the Department of Finance?

MS. DUNDERDALE: No, I'm not saying that, Mr. Learmonth.

What I am saying is that Nalcor had its own expertise. The department had comparable expertise in some areas that we could apply. That Nalcor had gone outside of its own corporation for expertise on certain numbers and facts and information.

We would have used that information in the same way that Nalcor did, Mr. Learmonth. We wouldn't question information that had been provided by outside expertise. And we would have tested – I was told we tested all of that and I believe we tested all of that within the Department of Natural Resources.

MR. LEARMONTH: And who would've done the testing of this information, Ms. Dunderdale?

MS. DUNDERDALE: Well, you know, we have chartered accountants, we have people who have expertise in – with the PUB, and all the requirements of electrical generation and provision here in the province and so on, because they have my – that department has to be engaged with Newfoundland and Labrador Hydro, and the PUB and so on. So, all of that –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: There's also some expertise in my department because I have the – my department – in the Department of Natural Resources because we have a Royalties and Benefits Division, which has to account for what happens in our offshore and what infrastructure can be charged off to the non-return allowance and what doesn't.

So, there's a fair amount of expertise around construction, around electrical generation and so on that could've been applied to the analysis once it came – once it was taken on by the – deputy.

MR. LEARMONTH: Okay. I'm just going to break this down into a series of questions, because I don't think I'm getting the answer that I'm –

MS. DUNDERDALE: Okay.

MR. LEARMONTH: – seeking. Or maybe I'm – I'll say, I'm not communicating it properly.

We're talking about the capital costs estimates, like, you know, \$6.2 billion at DG3, 5 billion at DG2. The capital cost –

MS. DUNDERDALE: Yes.

MR. LEARMONTH: – not the CPW analysis.
The –

MS. DUNDERDALE: I hear you.

MR. LEARMONTH: – capital cost estimate.

MS. DUNDERDALE: I hear you.

MR. LEARMONTH: Okay.

Are you saying that the capital cost estimates for both DG2 and DG3 were subjected to a rigorous audit in the Department of Finance after the numbers were received from Nalcor?

MS. DUNDERDALE: I can't say that that was done –

MR. LEARMONTH: No.

MS. DUNDERDALE: – in the Department of Finance. I don't believe that –

MR. LEARMONTH: No, excuse me,
Department of Natural Resources.

MS. DUNDERDALE: No, not to the – what I'm saying is: What was available to them to have a look at, within the expertise they had within the department – that work was completed.

MR. LEARMONTH: Mm-hmm. But who were the people who had the expertise –?

MS. DUNDERDALE: Well –

MR. LEARMONTH: – to review the cost estimates? Because this is new information. I didn't – I know Mr. Thompson gave us information about some work done in a two week period to review CPW analysis, but you're the first person that's come here and said that the Department of Natural Resources had the capability to do a thorough, rigorous review of the capital cost estimates. You're the first person who said that.

MS. DUNDERDALE: That's not what I'm saying, no, Mr. Learmonth.

What I'm saying is: Whatever information could be reviewed within the Department of Natural Resources was done.

MR. LEARMONTH: Okay, so, that – okay, so, you're not saying there was such a review of the capital cost estimate. You're just saying that whatever the capabilities of the Department of Finance were, they would have been applied to the documents coming in from Nalcor.

MS. DUNDERDALE: The Department of Natural Resources.

MR. LEARMONTH: Yeah, yeah.

And you don't know the names of the persons who would have had specialized training or expertise in reviewing things such as capital cost estimates?

MS. DUNDERDALE: No, Mr. Learmonth. I, you know, certainly wouldn't have been down at that level. I could only rely on, you know, information that was coming back up through to me. But I know whatever expertise was in the department to apply to any of the numbers given to us by Nalcor, it was applied. But whether or not that was, you know, a fully comprehensive –

MR. LEARMONTH: Yup.

MS. DUNDERDALE: – review, I can't speak to that.

MR. LEARMONTH: Okay.

MS. DUNDERDALE: I wasn't down at that level. I wasn't doing it.

MR. LEARMONTH: You don't know.

MS. DUNDERDALE: No. That's –

MR. LEARMONTH: Okay. Well, that's an answer. Thank you.

You referred to Nalcor retaining experts and consultants and so on, did you not?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Okay.

Now when you were minister of Natural Resources or premier did you ever ask to see any of these external reports that Nalcor was commissioning?

MS. DUNDERDALE: Commissioner, I met with Wood Mackenzie on a regular basis before, in fact, we had Nalcor, because Wood Mackenzie was very much involved in the design of the new energy company. I met personally with PIRA. In terms of the reports by Navigant and Westney, I would have been briefed on those – I would not have had direct access to them.

MR. LEARMONTH: Okay.

Now Navigant, we know that that was a report done in late November 2011 –we have that in the documents.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: What reports were you briefed on that had been prepared by Westney?

MS. DUNDERDALE: I can't tell you the particular reports. I can remember in discussions in meetings, they would say – we would be speaking about a particular issue and as part of that briefing, I'd be told what Westney had said about X, Y and Z.

MR. LEARMONTH: But you wouldn't ask to see the source document, you'd just take the verbal summary that would have been provided by Mr. Martin or whoever else was presenting for Nalcor?

MS. DUNDERDALE: Yes, I would. And the officials in the room.

MR. LEARMONTH: Okay.

Why wouldn't you have asked to receive copies of all these reports?

MS. DUNDERDALE: I didn't have any particular reason to do that, Mr. Learmonth. I have – had, as premier, hundreds, and hundreds, and hundreds of reports coming in to government on a regular basis; I didn't ask to see them or read them. Some were of major importance, some were of lesser importance. I

relied on Nalcor, who worked for the people of the province, as well as civil servants, who had the same mandate, to go through that material and to report in a comprehensive way to me and to ministers.

MR. LEARMONTH: Yeah. But I'm not suggesting that you personally, as minister of Natural Resources or as premier, would have had the time to read all these reports. But you had lots of resources available to you; people who could have received these reports and read them, and then they'd be in a much better position to seek clarification if that was required.

Do you agree with me?

MS. DUNDERDALE: I'm not sure that's correct, Mr. Learmonth, because we didn't have the expertise within government to build a hydro dam.

MR. LEARMONTH: Mmm.

MS. DUNDERDALE: You know, we built Nalcor to do this kind of work around energy development in the province on our behalf. And so it wouldn't have occurred to me to double or triple check their work anymore than it would from any other department or Crown.

MR. LEARMONTH: I'm not talking about double or triple, I'm talking about simply checking their work.

MS. DUNDERDALE: But we hired these people and constructed this company to do this work on our behalf, and until I had a reason to believe they weren't doing that in a responsible and comprehensible way – comprehensive way, I don't know why I would ask –

MR. LEARMONTH: To –

MS. DUNDERDALE: – somebody else to double-check their work.

MR. LEARMONTH: Yeah, for verification purposes. You're the government, you're in charge of protecting the people's money. And you have a Crown corporation operating, don't you acknowledge that there's a strong obligation on government in this situation to provide

oversight over Nalcor; not simply to accept what they're telling you?

MS. DUNDERDALE: We provided oversight. We provided oversight to Nalcor in the same way that we did our other Crown corporations. I would say we went further, much further with Nalcor than we did with other Crowns, and the reasons are obvious for doing that. But I didn't treat the information coming out of Nalcor any different than I would treat the information coming out of the Department of Finance.

MR. LEARMONTH: You trusted Nalcor?

MS. DUNDERDALE: I did.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: I didn't have any reason to do otherwise.

MR. LEARMONTH: Okay. So there was no need to verify their information because you relied on the trust that you placed in Nalcor.

MS. DUNDERDALE: I trusted – not only Nalcor, but I trusted the other Crowns and I trusted the people who worked within government –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – in different departments.

MR. LEARMONTH: Yeah, but I'm not talking about other Crowns. I'm talking about just Nalcor. And I wanna get this straight if I can.

You did not believe that it was necessary to verify the information that you were getting from Nalcor, because they were just like another department and you had no reason to distrust them or be in any way leery or skeptical about the truth of the information you were providing.

Is that correct?

MS. DUNDERDALE: But we did test them over the course of time in a number of –

MR. LEARMONTH: Okay.

MS. DUNDERDALE: – in any number of ways.

MR. LEARMONTH: Okay, can you tell me the – give me examples of how you tested it?

MS. DUNDERDALE: MHI –

MR. LEARMONTH: For DG3?

MS. DUNDERDALE: – and in the PUB review in DG2, MHI in DG3. We relied on Dr. Locke to give us some information –

MR. LEARMONTH: You relied on Dr. Locke?

MS. DUNDERDALE: Absolutely, I – as part of a spectrum –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – of people and organizations who looked at their work.

NRCan –

MR. LEARMONTH: Who is that?

MS. DUNDERDALE: Natural Resources Canada –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – did a financial review. The Consumer Advocate's office did a high-level review.

So there were a number of external reviews on the work that Nalcor did.

MR. LEARMONTH: Okay.

Now, you've just listed a few – MHI for DG – well, the PUB retained them for DG2, and MHI for number three, Dr. Wade Locke, Natural Resources, the Consumer Advocate – any other entities that you relied on to fulfill your oversight role?

MS. DUNDERDALE: There may have been others. I'm just – I need to think about it for a little and I may be able to recall.

MR. LEARMONTH: Okay.

So when you say that the oversight – when I ask you about oversight, you’re referring to these entities as providing full satisfaction of the oversight role that you understood government had over Nalcor?

MS. DUNDERDALE: No. Mr. Learmonth, Commissioner, we were thoroughly engaged with Nalcor. And so when you’re meeting with an organization on a regular basis and getting regular updates and you’re getting that information tested in a number of areas, that’s a very rigorous degree of oversight. That doesn’t happen anywhere else in government that I’m aware of.

We engaged the federal government – you know, this was a serious business. We had the banks engaged. You know, at any time the Auditor General could’ve gone in and had a look around as well. So this was a company that was under a lot of scrutiny, not only from government, but from government agencies and other organizations outside of government.

MR. LEARMONTH: Yeah.

But just to get back to a couple of examples you picked. Like MHI, I can tell you that – because I heard their evidence – MHI never did a risk analysis of the DG3 numbers. They never did. They weren’t provided with information on that from Nalcor. They suggested it in the scope of work, and your government removed it – the requirement that they do a risk analysis.

And you’re saying you weren’t aware of that?

MS. DUNDERDALE: I wasn’t aware that MHI had removed risk analysis.

MR. LEARMONTH: Well, they had – they didn’t.

MS. DUNDERDALE: Or it had –

MR. LEARMONTH: No –

MS. DUNDERDALE: – been removed –

MR. LEARMONTH: – no, no.

We’ll get into this later. But what I’m saying is that MHI, and I’ll show you the documents, MHI proposed – they sent a proposal to government for the scope of work, and they wanted to do a risk analysis, and government, in information we’ve had, because Nalcor didn’t want them to do a risk analysis – that it was removed and they never did one.

So what kind of oversight is that?

MS. DUNDERDALE: Mr. Learmonth, I’m not aware that – until very recently, that MHI was asked to remove risk analysis from their DG3 report.

But I can say to you that a great deal of time was spent discussing risk. Now, it never got labelled, Commissioner, as strategic risk or contingent –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – risk or tactical risk or management reserve. These were not the terms that were used.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: But risk mitigation was a theme that moved through the whole discussion of the development of Muskrat Falls.

MR. LEARMONTH: Yeah. Well, let’s just get back to what I was speaking about.

Do you agree that without performing a risk analysis that there’s something – a very important part of the DG3 that MHI performed – that was missing? In other words, how can you do a proper analysis of the DG3 figures if you’re not going to consider strategic risk?

MS. DUNDERDALE: The review by MHI at DG3 – the external review, which is something that I considered important – but it was an external review –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – being done.

In terms of risk analysis I believe that that was happening within Nalcor. Risk analysis certainly would be something that I would believe that the

federal government – through Natural Resources Canada – would take into account, especially around the loan guarantee.

MR. LEARMONTH: Yeah, but I'm talking about up to the time of sanction. I'm not talking about –

MS. DUNDERDALE: I am talking up to the time sanction too, Mr. Learmonth, because the federal government – before it committed to a loan guarantee – had to know the degree of risk that it was being exposed to.

MR. LEARMONTH: So how do you know that?

MS. DUNDERDALE: I mean, this was \$4.5 billion they were guaranteeing.

MR. LEARMONTH: Yeah.

So how do you know that?

MS. DUNDERDALE: How do I know?

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: Well, I know that NRCan –

MR. LEARMONTH: Hmm.

MS. DUNDERDALE: – did its own review in response to the Joint Review Panel, for example. But, I also know from –

MR. LEARMONTH: Yeah, but that wasn't DG – I'm sorry I'm interrupting, but I'm talking about DG3 now.

MS. DUNDERDALE: But in terms of DG3 I know the discussions and the testimony here of Charles Bown under the strict review, an intense review that was given to the numbers in consideration of the loan guarantee before the loan guarantee was signed off on.

MR. LEARMONTH: No, that's November, 2013.

MS. DUNDERDALE: No, Sir.

There was – in Ottawa there were negotiations going on –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – to the best of my understanding, about the cost of this project, what the risk was to the federal government because they were having to book –

MR. LEARMONTH: Uh-huh.

MS. DUNDERDALE: –\$4.5 billion, which was significant.

MR. LEARMONTH: Well, did you ever see this risk review that you say the federal government did before the project was sanctioned?

MS. DUNDERDALE: No, I didn't see it, Mr. Learmonth.

MR. LEARMONTH: You're just assuming it was done.

MS. E. BEST: Commissioner, I do apologize for the interruption. I just wanted to state that a long time ago we filed an ATIPP request to obtain some of this documentation. We were advised that it was too voluminous to provide in the time frame of the Inquiry but, if it does come in, we will certainly supply.

THE COMMISSIONER: I'm sorry; I just missed the last part of what you said.

MS. E. BEST: I said if it does come in, we will certainly supply it.

THE COMMISSIONER: Okay, you did an – my understanding is you said you did an ATIPPA request –?

MS. E. BEST: Yes, for the federal government to –

THE COMMISSIONER: Okay.

MS. E. BEST: – try and obtain any documentation they would have pertaining to these – this review and they have been unable to provide it within this time frame, but I – I'm

assuming they will provide it, and we'll be happy to provide it to the Commission.

THE COMMISSIONER: Thank you. I'll be looking forward to it.

MR. LEARMONTH: Okay.

Well, let's get back to this federal government – you're saying that the – before the project was sanctioned that the federal government performed a risk analysis of the – dealing with different kinds of risk – tactical risk, strategic risk and so on?

MS. DUNDERDALE: No, Mr. Learmonth, that's not what I'm saying.

MR. LEARMONTH: Well, what are you saying?

MS. DUNDERDALE: What I'm saying is that the federal government thoroughly reviewed the business case that was being put forward for Muskrat Falls. It is incumbent on a government who's going to book \$4.5 billion – make a commitment of \$4.5 billion on a hydroelectric project to know whether or not the numbers make sense in the business cases there.

MR. LEARMONTH: But –

MS. DUNDERDALE: When we signed that MOU before sanction at the end of November 2012.

MR. LEARMONTH: Well, you're saying that they would have done that because it was logical that they would have done a risk analysis before they commit that kind of money, correct?

MS. DUNDERDALE: And I was told –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – they were doing analysis but I wasn't there, Mr. Learmonth, I –

MR. LEARMONTH: So you can't point me to any document –

MS. DUNDERDALE: No, Mr. Learmonth –

MR. LEARMONTH: – you're just assuming that they did.

MS. DUNDERDALE: – I cannot.

MR. LEARMONTH: Yeah. And you say that the federal – you assume the federal government would have undertaken such a risk analysis. But you – your government didn't.

MS. DUNDERDALE: Mr. Learmonth, I'm –

MR. LEARMONTH: No – do you see my point?

MS. DUNDERDALE: I'm not assuming, Mr. Learmonth. The prime minister had a discussion with me about some of the numbers before we signed the MOU on the loan guarantee or before sanction. So I certainly knew that the federal government were familiar with the numbers –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – associated with the business case for Muskrat Falls.

MR. LEARMONTH: But that doesn't mean they did a risk analysis.

MS. DUNDERDALE: All I can tell you, Mr. Learmonth, is the minister – the prime minister – Prime Minister Harper was well informed about the business case for Muskrat Falls.

MR. LEARMONTH: But if the federal government did a risk analysis, the – before the sanction date, the federal government did a lot more than your government because your government directed MHI to not do a risk analysis. So you seem to be saying: well the federal government would have done that because it was a prudent thing for them to be done, and your government, who is borrowing the money, didn't even bother to do it. So where's the logic there?

MS. DUNDERDALE: Mr. Learmonth, all I can tell you is that I was not aware that that analysis was removed – the need for that analysis was removed. But at the same time, I can also tell you that there was rigorous attention being paid within government and within Nalcor to mitigate risk and deal with risk –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – right up to sanction.

MR. LEARMONTH: Yeah. But there was nothing for strategic risk in the 6.2 billion. Yet strategic risks existed.

MS. DUNDERDALE: Strategic – I wouldn't have called it strategic risk. But I remember clearly being approached by Mr. Martin and Mr. Bennett to talk about risk exposure because sanction was being delayed.

MR. LEARMONTH: Okay. When was this, when you were being approached? When – just give me details.

MS. DUNDERDALE: In the summer/fall of 2012.

MR. LEARMONTH: Okay. And who was at this meeting?

MS. DUNDERDALE: Mr. Martin was certainly there. And I have a clear recollection of Gilbert being there as well.

MR. LEARMONTH: Okay, but who from the government's side?

MS. DUNDERDALE: Well Robert certainly would have been there. And the minister would have been there.

MR. LEARMONTH: So Robert Thompson would have been at this meeting.

MS. DUNDERDALE: Yeah.

MR. LEARMONTH: And so would Jerome Kennedy?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Okay. And what was – what do you recall was said at that meeting about risk?

MS. DUNDERDALE: That the sanction date was getting pushed out because I wouldn't go to sanction without a loan guarantee. And the loan guarantee didn't – wasn't completed in the

timelines that we had thought it might be. So the project kept getting pushed further out.

And this was creating risk in terms of schedule particularly. And Mr. Martin and Mr. Bennett felt strongly that we needed to spend significant money before sanction in order to mitigate that risk so we didn't lose a whole year of construction.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: If delay – if the project continued to be delayed.

MR. LEARMONTH: Okay.

MS. DUNDERDALE: And so I remember that discussion. I remember giving our approval for the building of the tote road, the camp – there were a number of things done, costed hundreds – costing hundreds of millions of dollars. I was very aware of that because it was pre-sanction. And all of that was done in order to mitigate risk on schedule.

MR. LEARMONTH: Okay. So you're going just by memory. You don't have any record whatsoever?

MS. DUNDERDALE: If you're going to ask me about anything in my 12 years in government, Mr. Learmonth, you're going to have to rely on my memory.

MR. LEARMONTH: Okay. But you're suggesting you have a detailed recollection of this meeting?

MS. DUNDERDALE: Significant amounts of money being spent before –

MR. LEARMONTH: No, but you have a –

MS. DUNDERDALE: – sanction? Yes, I do.

MR. LEARMONTH: You have a significant – you have a perfect recollection of this meeting?

MS. DUNDERDALE: I don't have a perfect recollection, Mr. Learmonth, but there are points that stick out in one's mind. I don't have –

MR. LEARMONTH: Okay.

MS. DUNDERDALE: – a blank page either when I think back on all of those meetings and decisions and so on. And this was a significant decision because we still didn't have the loan guarantee secure.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: So I was spending money – you know, we had spent money, Commissioner, on engineering and understanding the river and trying to know what challenges might exist on the river while we were doing this piece of work.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And – but now we're actually starting to get ready for the build. We're making decisions, now, that are beyond sanction.

MR. LEARMONTH: Right.

MS. DUNDERDALE: And so this is a significant move on behalf of the government.

MR. LEARMONTH: What – to fund this pre-sanction expenditure?

MS. DUNDERDALE: Yes. Hundreds of millions of dollars, Mr. Learmonth.

MR. LEARMONTH: Okay. But – and you're saying Mr. Thompson was at this meeting, were you?

MS. DUNDERDALE: I can't swear that Mr. Thompson was at the meeting. Would have been very unusual for Robert not to be there.

MR. LEARMONTH: Yeah. Well, I think you said, clearly, he was there, earlier.

MS. DUNDERDALE: I'm – I can't recall other than – Mr. Martin, Mr. Bennett for sure. Definitely the minister, 'cause I just know he would have been there. And if Robert Thompson was in the building and in St. John's, he would have been in the meeting.

MR. LEARMONTH: But you don't have any –

MS. DUNDERDALE: As probably the chief of staff.

MR. LEARMONTH: So you don't remember who was at the meeting, but you do remember what was said at the meeting. Is that –?

MS. DUNDERDALE: Well, I know my senior staff would be with me at the meeting. That wasn't the highlight of the meeting. That wouldn't have blazed itself so much into my memory as the subject matter, because it was very serious.

MR. LEARMONTH: Okay. So what was said about –

THE COMMISSIONER: Okay. Can I just intervene here now, 'cause it is 1 o'clock now and I sort of let this go another half hour, so I'd like to start again this afternoon at 2:15.

So we'll break now until 2:15 this afternoon.

CLERK: All rise.

Recess

CLERK: All rise.

This Commission of Inquiry is in session.

Please be seated.

THE COMMISSIONER: Mr. Learmonth, when you're ready.

MR. LEARMONTH: Ms. Dunderdale, when we –

UNIDENTIFIED FEMALE SPEAKER: Your microphone.

MR. LEARMONTH: – took our break for lunch you were – when we took our break for lunch you were speaking about this meeting you had in the summer or fall of 2012.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: And you said that – just go over again the people you said where we can definitely confirm were present.

MS. DUNDERDALE: Well, the minister would've been present.

MR. LEARMONTH: Jerome Kennedy?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Right.

MS. DUNDERDALE: Mr. Martin.

MR. LEARMONTH: Yes.

MS. DUNDERDALE: Mr. Bennett, I do believe.

MR. LEARMONTH: Yes.

MS. DUNDERDALE: And then I'm just assuming that my clerk would've been there and —

MR. LEARMONTH: Robert Thompson?

MS. DUNDERDALE: — my chief of staff, Brian Taylor.

MR. LEARMONTH: Okay, and who called this meeting?

MS. DUNDERDALE: I don't recall, Mr. Learmonth.

MR. LEARMONTH: Where was the meeting held?

MS. DUNDERDALE: In the premier's boardroom. All our meetings were held in the premier's boardroom unless we went off-site.

MR. LEARMONTH: Okay, and what was discussed at this meeting?

MS. DUNDERDALE: We were discussing the delay in sanctioning of the project and the fact that the further out we pushed it, the greater the risk of losing a year's construction.

MR. LEARMONTH: Right.

MS. DUNDERDALE: And how do we mitigate that risk. There were certain pieces of work that needed to get done in order to prevent that from happening.

MR. LEARMONTH: Right.

MS. DUNDERDALE: And so Nalcor was going to spend a significant amount of money doing this work pre-sanction in order not to lose the full construction season.

MR. LEARMONTH: Right. And you authorized it?

MS. DUNDERDALE: I don't know that I needed to authorize it, but if I did, I did.

MR. LEARMONTH: And that was the only topic of discussion at the meeting?

MS. DUNDERDALE: I can't recall, Mr. Learmonth. This sticks in my mind because of the decision to spend a significant amount of money.

MR. LEARMONTH: Okay.

Now, at this point, did you believe that the targeted schedule date of July 2017 was achievable?

MS. DUNDERDALE: No, this was probably past that date.

MR. LEARMONTH: No, July 2017.

MS. DUNDERDALE: Oh, for power?

MR. LEARMONTH: Yes, first power.

MS. DUNDERDALE: Yes, if we did the work.

MR. LEARMONTH: Okay.

MS. DUNDERDALE: The pre-sanction.

MR. LEARMONTH: And at the time of sanction, you were of the same view that the July 2017 targeted date for first power was achievable?

MS. DUNDERDALE: I certainly felt that 2017 was achievable. I don't know — we had talked about and then our documentation and so on was July '17.

MR. LEARMONTH: Yeah, but that's what you —

MS. DUNDERDALE: But I didn't have any particular concerns about completion date.

MR. LEARMONTH: No, you thought that they were on schedule –

MS. DUNDERDALE: Yes.

MR. LEARMONTH: – and would be completed in July 2017 –

MS. DUNDERDALE: Yes.

MR. LEARMONTH: – at the time of sanction. All right, now you mentioned that there were meetings, I believe, where you discussed risk?

MS. DUNDERDALE: All the time, Mr. Learmonth.

MR. LEARMONTH: Okay, now I want you to give me particulars. You've given some general information, I want you to tell me the number of meetings you had where risk was discussed and the dates and who was present at those meetings.

MS. DUNDERDALE: I'm sorry I can't do that, Mr. Learmonth. I told you that I didn't keep those kinds of precise notes. So, you know, if my testimony is going to be helpful to you at all, it has to be around, Commissioner, what I remember, because I didn't take precise notes and there wasn't a note taker at the meetings that I'm aware of.

MR. LEARMONTH: So you can't give me any information in answer to that question?

MS. DUNDERDALE: I can give you subject areas that were discussed.

MR. LEARMONTH: Okay, well, can you give me some range of dates when these subject matters would've been discussed?

MS. DUNDERDALE: They certainly would've been discussed after DG2, right up until sanction.

MR. LEARMONTH: Okay.

Do you know how many meetings you would've had where you discussed risk?

MS. DUNDERDALE: A lot.

MR. LEARMONTH: A lot? And Mr. Thompson would've been present at all, or if not all, most of these meetings?

MS. DUNDERDALE: Mr. Thompson would've – if Mr. Thompson were in the precincts –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – then he would've attended.

MR. LEARMONTH: And Mr. Kennedy would've been present, too, right?

MS. DUNDERDALE: I never had a meeting that I can recall without the minister.

MR. LEARMONTH: Yeah and that's when you were premier.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: So if you met with Nalcor, Jerome Kennedy was there.

MS. DUNDERDALE: Either Jerome Kennedy was there, unless he was out of town on a piece of business. But I certainly would have had officials in the room. I would not have met with Nalcor on my own.

MR. LEARMONTH: So whatever information you had on risk would've been known to Jerome Kennedy or someone in his department. Is that right?

MS. DUNDERDALE: Well, Commissioner, we talked about things like transmission lines and –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – the kind of how – the strength that was going to be required and the changes that came from – for example, we talked about things like the number of particular storms in a certain time span –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – and how likely they were to occur, and whether the transmission lines that were being considered would be able to withstand that kind of weather and whether or not they needed to be upgraded.

MR. LEARMONTH: Right.

MS. DUNDERDALE: We talked about under the Strait of Belle Isle, for example, and the cable coming down and what did we need to do with that cable, how much was going to be coming down through a tunnel? What was going to go across the Straits, the Labrador Strait, up the other side, in and out?

I remember a clear discussion about the formation – for example, the land formation under the Labrador-Island Link and scouring with regard to icebergs, and a long discussion about a natural shelf that was formed there that prevented icebergs from grounding and able to go right down and cut the cable. And how that mitigated what needed to be done to make sure that that cable was secure.

That's the level of detail we got into in a number of these meetings as the project progressed.

MR. LEARMONTH: Okay. Can you give me some other examples of topics that were discussed in these meetings where risk was discussed?

MS. DUNDERDALE: The North Spur, for example, was something that we discussed.

MR. LEARMONTH: What else?

MS. DUNDERDALE: Delay in schedule and what effect that that might have.

MR. LEARMONTH: But you were satisfied on that at the time of sanction, right, in July 2017?

MS. DUNDERDALE: Yes, we talked about productivity. And if you go back to *Hansard*, you will see lots of discussion in the House of Assembly –

MR. LEARMONTH: Mmm.

MS. DUNDERDALE: – about risk mitigation and where the greatest threats were. And one was to schedule, one was –

MR. LEARMONTH: Okay, okay, we'll talk about *Hansard* later, but I want you to confine your comments now to the meetings that you said you had where risk was discussed.

MS. DUNDERDALE: Well, all of these things –

MR. LEARMONTH: But you talked about the SOBI, like the iceberg scouring and stuff. I want to know all the topics that you recall discussing with respect to risk.

MS. DUNDERDALE: Labour, availability of labour.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: Capital costs, delays to schedule.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: Productivity – you know, there were any number of things. And I know that schedule, labour, capital costs: they were three of the top considerations when we talked about risk. And we talked about it in our meetings. We talked about it publicly; we particularly talked about it in the House of Assembly.

MR. LEARMONTH: Yeah.

Well, we'll talk about the House of Assembly later.

MS. DUNDERDALE: Yeah.

MR. LEARMONTH: Now, I want to talk about the meetings.

MS. DUNDERDALE: Yeah.

MR. LEARMONTH: And do you agree that Minister Kennedy was – well, I think Charles Bown's term was obsessed with the topic of costs. That he kept on wanting to – you know, inquiring about what's this going to cost, what's this going to cost. Is your recollection the same

as Charles Bown's on Mr. Kennedy's fixation, we'll say, on the subject of costs?

MS. DUNDERDALE: I – well, we had a – I remember our discussion more around what the base number was going to be, what's the number. And that was something that we were all fixated. That's something I shared with Minister Kennedy.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: How much is this going to cost? Is 6.2 billion the number?

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And if it's not 6.2 billion, what is it.

MR. LEARMONTH: Yeah, and you were – right up to the point of sanction you were assured by Nalcor that the 6.2 billion included all risks. Is that correct?

MS. DUNDERDALE: Yes. We would have had a conversation, you know, around the commitment letter and around sanction, because I'd been in government for some time –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – and I knew that nobody could guarantee me –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – that the number was going to be 6.2, but I was assured that all the work had been done, and that was as good a number as all of the analysis and expertise had been applied to it –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – could come with. It could be less than 6.2 –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: – but it would be around 6.2.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And I said – I remember saying to Mr. Martin: But we all know that you can't guarantee that.

MR. LEARMONTH: Right.

MS. DUNDERDALE: And if this thing goes south, if it does go over, I'll take your word. 6.2 is a good number and maybe we'll – the stars will align and we'll come in with less than 6.2, but if it goes south, how bad is this going to be because I need to know? And we talked a number and I think it was somewhere around 6.5 could be the worst-case scenario.

MR. LEARMONTH: The absolute worst-case scenario?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Yeah. But, in any event, I understand the point and I think anyone understands the point that Mr. Martin couldn't – or no one in his position could give a guarantee –

MS. DUNDERDALE: That's right.

MR. LEARMONTH: – because you're talking about a big project in the future, but am I correct in saying that at the time of sanction you were satisfied, from talking to Mr. Martin, that the 6.2 included all risks that were known at the time of sanction?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: There was nothing out there that was known that wasn't included in the 6.2?

MS. DUNDERDALE: No, and in terms of risks that might not be known, for example – that could be caused by a delay, for example, in schedule – the way that Mr. Martin and his team addressed that was spending those hundreds of millions of dollars before sanction –

MR. LEARMONTH: Right. Yeah.

MS. DUNDERDALE: – to make sure that the risk was mitigated –

MR. LEARMONTH: Right.

MS. DUNDERDALE: – so we didn’t start a domino effect –

MR. LEARMONTH: Right.

MS. DUNDERDALE: – of which we didn’t know what was going to be affected or how it was going to be affected.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: Which I guess now you would call strategic risk.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: The best way to prevent that was to make sure that this work was done prior to sanction –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – so we could mitigate that risk.

MR. LEARMONTH: Yeah, that was actually my next question that – is it correct that by spending this money before sanction, that took away the schedule risk, as far as you were told by Mr. Martin.

MS. DUNDERDALE: Yes, it –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: – absolutely mitigated risk.

MR. LEARMONTH: Yeah, it took it away.

MS. DUNDERDALE: Because that amount of work was done –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – it should stop the slippage in the schedule.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And the domino effect of a slippage –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – in the schedule would have on the project.

MR. LEARMONTH: Anyway, spending that money, to put it in brief terms – I’ll ask if you agree with this: By spending that money up front, early before sanction, you preserved the reliability of the July 2017 first power date.

MS. DUNDERDALE: That’s correct.

MR. LEARMONTH: That’s what you’re saying –

MS. DUNDERDALE: Yes.

MR. LEARMONTH: – in a nutshell. Is that right?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Okay. Thank you.

Now, when you were talking about these risks, you mentioned something about if this goes south what’s the absolute worst-case scenario, and you were told another 300 billion? Like, just –

MS. DUNDERDALE: Well, it was closer to 500 million.

MR. LEARMONTH: But you said 300 million.

MS. DUNDERDALE: No, I said five.

MR. LEARMONTH: 6.5.

MS. DUNDERDALE: Oh, I’m sorry; I meant another 500 million on top of the 6.2.

MR. LEARMONTH: And who told you that?

MS. DUNDERDALE: Mr. Martin.

MR. LEARMONTH: When?

MS. DUNDERDALE: It would have been around the time of the commitment letter.

MR. LEARMONTH: In 2011?

MS. DUNDERDALE: No, that’s not right then. It was closer to sanction.

MR. LEARMONTH: But when though?

MS. DUNDERDALE: Before sanction.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: I can't give you a specific date.

MR. LEARMONTH: Okay, well, this other figure of 500, that was for unknown unknowns, right? Things that just weren't known, things that could've happened without any –

MS. DUNDERDALE: That we didn't know about.

MR. LEARMONTH: You didn't have any idea –

MS. DUNDERDALE: Yeah.

MR. LEARMONTH: – about them, they just happened.

MS. DUNDERDALE: Yeah.

MR. LEARMONTH: Yeah, okay. And that's consistent with the obvious sense of the position that I can't guarantee this, right? Yeah.

MS. DUNDERDALE: That's right.

MR. LEARMONTH: I mean anything could happen.

MS. DUNDERDALE: That's right.

MR. LEARMONTH: Yeah. Okay.

Now, at any time prior to sanction did you discuss the probability factor? And you know a little bit about this because we talked about it – I don't think you knew too much until the interview, but I'm not going to quiz you on it. But I want to know whether the fact that Nalcor proceeded to ask for sanction using a P50 factor was disclosed to you by Nalcor?

MS. DUNDERDALE: The P50 factor was disclosed.

MR. LEARMONTH: When?

MS. DUNDERDALE: In that same – I can't tell you how many times we talked about it, but I know it was part of the discussion we just discussed.

MR. LEARMONTH: Yeah. Because Mr. Martin stated that the P50 – he didn't really explain that to government.

MS. DUNDERDALE: We didn't talk a whole lot about P50, P75, those kinds of numbers in our general discussion. That's correct.

MR. LEARMONTH: That's correct. You agree with Mr. – with that?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Yeah. And in fairness, I take it that you're not an engineer or anything like that; you didn't really have an appreciation for what the P50 as opposed to P75 meant prior to sanction?

MS. DUNDERDALE: My understanding prior to sanction, Commissioner, would have been more about what numbers we included when –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – we were doing calculations of costs.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: Because it was in the CPW analysis, and that's what we were using, and it was extremely conservative, I would have been aware – I don't think that I could have given a class, Commissioner, on P-values, but I had a general understanding.

MR. LEARMONTH: And you agree that Mr. Martin didn't go to any lengths at all to explain what a P50 was as opposed to a P75?

MS. DUNDERDALE: Oh –

MR. LEARMONTH: Before sanction.

MS. DUNDERDALE: Before sanction, there was a discussion around P50 and P75 in terms of the CPW.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: And – so I understood that we were – always understood, even without using that language that we were using very conservative estimates for the CPW. And in fact, what we were doing –

MR. LEARMONTH: Estimates of what? Sorry.

MS. DUNDERDALE: Of the business case and what was included and what wasn't included.

And I knew that, by doing that, that we were favouring, at – numerically, the Isolated case. But there was a rationale offered for doing it that way.

MR. LEARMONTH: What was that rationale?

MS. DUNDERDALE: Because it wasn't a fair analysis, Commissioner.

If we – the numbers would become so skewed if we went to a P75. If we included the cost of carbon on the Isolated side, and we used the expected oil price instead of the reference, and then, on the Muskrat Falls side, if we monetized the 40 per cent of the power and gave value to the 40 per cent of the power, then we would open up the gap between the two options –

MR. LEARMONTH: Mmm.

MS. DUNDERDALE: – \$4 or \$5 billion in favour of Muskrat Falls.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: So the decision was taken to not do that and to compare on a P50 basis, and we agreed to that.

MR. LEARMONTH: Okay, that's for the CPW analysis –

MS. DUNDERDALE: Yes.

MR. LEARMONTH: – but I'm – but what about the independent subject of the capital cost estimates?

So, we've got the CPW done; it's all done with P50.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Do you agree that doesn't mean that you can't do a separate cost schedule, or cost estimate, using something higher than a P50?

MS. DUNDERDALE: We could have done that once we moved – you know, once we moved out of –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – DG2.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: But we – I understood, and the reports that I read since then said that the industry standard, or accepted practice, was P50 and I was comfortable with that.

MR. LEARMONTH: Who told you the industry standard was P50?

MS. DUNDERDALE: Well, it's just in the reports that I've – I read.

MR. LEARMONTH: What reports?

MS. DUNDERDALE: Well, the reports I've read since then.

MR. LEARMONTH: Well, which reports?

MS. DUNDERDALE: Well, I've had a look at MHI –

MR. LEARMONTH: Okay.

MS. DUNDERDALE: – on DG2 and DG3.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: I've looked at the Grant Thornton.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: And I've had – and I've been briefed on the NRCan numbers and the Knight Piésold numbers and the Wade Locke.

MR. LEARMONTH: So are you saying that Wade Locke would provide support for using a P50?

MS. DUNDERDALE: I'm just telling you all the –

MR. LEARMONTH: No, no – but –

MS. DUNDERDALE: You just asked me the reports –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – and – but I can't –

MR. LEARMONTH: (Inaudible.)

MS. DUNDERDALE: You know, I can't tell you verbatim what's in those reports.

MR. LEARMONTH: Well, I can tell you Wade Locke never mentioned P50.

MS. DUNDERDALE: Well, he may not, Mr. Learmonth. I'm just –

MR. LEARMONTH: So why would you be –?

MS. DUNDERDALE: – saying in the group of – because I don't have verbatim recall of all of those reports, and they all talked about financial analysis and so on. And what I'm just saying to you is that I wasn't aware – I wasn't briefed, nor did I read, anything that would have told me that P50 was unreasonable.

MR. LEARMONTH: Okay. And you said you based that in part on the contents of the Grant Thornton report?

MS. DUNDERDALE: No, it got confirmed for me, I think, in the Grant Thornton report.

MR. LEARMONTH: That P50 was suitable?

MS. DUNDERDALE: Well, I thought P50 – industry – every – all the data – the piece in the Grant Thornton report says that all inputs of Nalcor were reasonable –

MR. LEARMONTH: Well –

MS. DUNDERDALE: – and of the industry standards.

Now, I'm not an engineer, Mr. Learmonth –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: – so, you know, when these professionals make these kinds of statements, then I put a lot of weight in them, and it's more than one.

MR. LEARMONTH: But, Ms. Dunderdale, are you sure you've read the Grant Thornton report? Because the Grant Thornton report does not provide any support for using a P50. In fact, the use of P50 in these circumstances was heavily criticized.

MS. DUNDERDALE: I can tell you what I read in the Grant Thornton report, and we discussed it together in my interview –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – that the inputs and the assumptions –

MR. LEARMONTH: Yeah, I'm talking about the P50 factor.

MS. DUNDERDALE: Well, I'm just telling you what's in the front of the report because I can't recall the report verbatim.

MR. LEARMONTH: No.

MS. DUNDERDALE: But the inputs were reasonable.

MR. LEARMONTH: Well, no, I'm taking about the P50 –

MS. DUNDERDALE: And according to industry standard.

MR. LEARMONTH: I'm talking about the – that's – we'll talk about inputs later, but now we're talking about the P50 factor, which you said the use of was supported by the contents of the Grant Thornton report.

MS. DUNDERDALE: I can't recall, Commissioner, the Grant Thornton report verbatim.

MR. LEARMONTH: No.

MS. DUNDERDALE: I read it in August.

But what I can tell you is what did stick out to me very clearly was they accepted the inputs used by Nalcor –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – and stated that they were reasonable.

MR. LEARMONTH: Well, do you want to look at the Grant Thornton report –

MS. DUNDERDALE: Well, we can certainly do that.

MR. LEARMONTH: – and tell me where it says that a P50 is reasonable?

MS. DUNDERDALE: I'm not telling you that they said P50 was reasonable. I'm telling you what they said was the inputs used by Nalcor –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – were reasonable –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – and standard practice.

MR. LEARMONTH: Yeah.

But we're not talking about inputs, Mrs. Dunderdale. We're talking about the P50 factor, and you said very clearly, early in your evidence, that you found support for using the P50 in the Grant Thornton report.

So let's just talk about the P50, and I'm suggesting to you that that is not what the Grant Thornton report says. In fact, the Grant Thornton report generally criticizes the use of using a P50. I'll give you an example. Mr. John Hollmann of Validation Estimating said that you don't use a P50 in a situation like that. He would have it much higher – at least a P70. You've got other

people that are quoted being very critical of a P50. You've got Westney who recommended a P75. You've got, in retrospect, Professor Bent Flyvbjerg who said a P80.

So what I want to know from you is the basis for you saying that the use of a P50 for a project like this – a stand-alone project like this, for a Crown corporation, was in accordance with industry standard. Give me the references that I can refer to. I know Manitoba Hydro did it.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: I know that. They've had a lot of –

MS. DUNDERDALE: I was just gonna give you that reference –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – Mr. Learmonth.

MR. LEARMONTH: But did you –

MS. DUNDERDALE: Twice.

MR. LEARMONTH: – check out their track record with using a P50 – Manitoba Hydro even before the – this project?

MS. DUNDERDALE: Mr. Learmonth, I was premier of the province, and I was being briefed by the people who worked in government as well as the people who worked in Nalcor. And now we have two reports coming from MHI that validate that work. The reports that we received, or whatever analysis that was done by the other groups that I referred to here today – nowhere did I see in terms – as the work was progressing, that there was a question around Nalcor and what they were doing with regard to risk. I didn't see it.

MR. LEARMONTH: Well, are you saying that because you didn't see it or because you weren't told about it that such reports didn't exist?

MS. DUNDERDALE: No, I'm not saying any such thing, Mr. Learmonth. What I'm telling you is what I know, which is, Mr. Commissioner, why I'm here.

MR. LEARMONTH: You're telling us what Ed Martin told you. Is that correct?

MS. DUNDERDALE: No. I – Ed Martin may be one of the people who told me and I would certainly expect him to tell me. But I would expect others to tell me, as well.

MR. LEARMONTH: Who?

MS. DUNDERDALE: My clerk, my –

MR. LEARMONTH: Mm-hmm. But he didn't know anything or –

MS. DUNDERDALE: – my minister –

MR. LEARMONTH: But they didn't know anything about the P50.

Jerome Kennedy didn't know anything about it. Robert Thompson, if he did know, it was very limited. So I don't see how you can rely on them in the manner that you've just done.

MS. DUNDERDALE: So your point is what, Mr. Learmonth?

MR. LEARMONTH: My point is that – well, I'm not – you know, you don't – I'll do the asking of the questions.

But I'm trying to delve into the basis for you saying a P50 was fine and you say you rely on your clerk, Robert Thompson, and you rely on Jerome Kennedy. And I'm putting to you that their knowledge of the P-factor, at any time before sanction – if it existed at all – was extremely limited. So I don't know how you can say that you put weight on what they told you.

MS. DUNDERDALE: I put weight – but the greatest amount of weight would've been on what Nalcor said to me.

MR. LEARMONTH: Yeah. But how could Mr. – Mr. Kennedy didn't know what a P50 factor was. So how could he – well, to start off with: If he didn't know anything about it, how would you know anything about it?

MS. DUNDERDALE: I – there are –

MR. LEARMONTH: If he was present at all the meetings.

MS. DUNDERDALE: We don't have similar banks of knowledge, Commissioner. I was with this project from beginning to end, and other than the people from Nalcor and Mr. Bown, you won't find anybody else with that much experience –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – with this file.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: So I was eight years with the file.

MR. LEARMONTH: Yeah, right.

MS. DUNDERDALE: Mr. Kennedy was a year and a half with the file. So there are some things that I might know that Mr. Kennedy might not know. I can't speak to what he knows and what he doesn't know. He was extremely aggressive on the file and I wanted him to be. He knew a lot of things, but I can't – I cannot give you a running list of what he knew and what he understood and what he didn't.

MR. LEARMONTH: Well –

MS. DUNDERDALE: I have no reason and had no reason to distrust anything that Nalcor was saying to me –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – any more than I would the Department of Finance, the Department of Justice, the Department of Transportation.

They had been put together to do this work on behalf of the people of the province, and until I had reason to do so, I trusted what I was being told. I'm not an engineer. I don't have that background. I have enough wit about me that when I'm briefed I understand what's being said to me. I'm not able, years later, to revisit that with you in detail.

MR. LEARMONTH: Do you –

MS. DUNDERDALE: But Nalcor were diligently working this file. I was able to see their work in other areas, such as Hebron, such as the New Dawn Agreement, such as their work with Vale Inco; that all fell under my department to some degree, or I was part of – and it built a great confidence in me about the company that we had built together, and the skills and talents and experience and analysis that had come with it.

So when they told me something based on their knowledge and their expertise, and everybody around me, who even had more knowledge than I did, didn't have an issue with it, then I didn't have an issue with it.

MR. LEARMONTH: Okay. Who were the people that you referred to – everyone around you who had more knowledge? Who are those people?

MS. DUNDERDALE: Well, for example, Mr. Bown would have far more knowledge around electrical generation, those kinds of things, than I would because there were directories in the department that had to deal with those things on a regular basis.

Mr. Thompson had been a career public servant and had spent time in different departments, for example, you know – or oversaw different departments, been parts of different kinds of work, like in the Department of Transportation, for example.

You know, government did – while we were doing Muskrat Falls, we did \$8 billion worth of infrastructure throughout the province, through government departments. So there were lots of people within government who had expertise that I certainly didn't –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – and Mr. Thompson would've been able to access all of that.

MR. LEARMONTH: Yeah.

But getting back to this P50 – Mr. Thompson's knowledge of the P-factor was, as I say, if it existed at all before sanction, was very, very limited. He didn't – so it sounds, based on Mr.

Thompson's evidence and Mr. Bown's evidence, that you knew more about it than they did.

MS. DUNDERDALE: Mr. Learmonth, I'm not here arguing for a P-factor. I –

MR. LEARMONTH: Well –

MS. DUNDERDALE: – don't know if P15, you know, I wouldn't argue for a P43, Commissioner. I have no idea.

MR. LEARMONTH: So you have no –

MS. DUNDERDALE: Or a P75. But when I have –

MR. LEARMONTH: So you have no idea about those thing?

MS. DUNDERDALE: When I have some –

MR. LEARMONTH: Is that right?

MS. DUNDERDALE: When I have somebody come back – well, I have a better idea having watched a great deal of the Inquiry, Mr. Learmonth.

MR. LEARMONTH: Yeah, but I'm talking about the time at sanction –

MS. DUNDERDALE: But I'm talking about beforehand. When somebody comes to me and says: A P-factor is reasonable and is – is industry standard, then I'm very comfortable with that when I've got reliable people relaying that information to me.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: It doesn't come from my personal knowledge.

MR. LEARMONTH: No? Mr. Bown and Mr. Thompson were both exceptional civil servants, were they?

MS. DUNDERDALE: They were very good civil servants –

MR. LEARMONTH: And they were –

MS. DUNDERDALE: – absolutely.

MR. LEARMONTH: They were dedicated?

MS. DUNDERDALE: Absolutely.

MR. LEARMONTH: Yeah. And – I’m suggesting to you that – well I’ll put to you, Mr. Thompson didn’t know anything about the \$497 million risk assessment or the P1 schedule issue until you read the Grant Thornton report.

MS. DUNDERDALE: No (inaudible) did not.

MR. LEARMONTH: Were you aware of that? You didn’t either?

MS. DUNDERDALE: No.

MR. LEARMONTH: Does that cause you concern? That you weren’t told about these things prior to sanction?

MS. DUNDERDALE: It caused me concern until I heard the rationale that went with it. You and I had this discussion, Mr. Learmonth, I think in our interview. And while I was able to say to you then – or the conversation might have been more, Commissioner, around DG2 and the removal of risk.

MR. LEARMONTH: We’ll talk about DG2 later, we’re talking about DG3 now.

MS. DUNDERDALE: Yeah, I’m just trying to orient the discussion, Mr. Learmonth –

MR. LEARMONTH: Well, I don’t want you to orient it.

MS. DUNDERDALE: – so I can give you the most straightforward, honest answer that I can.

MR. LEARMONTH: I don’t want you to orient it –

MS. DUNDERDALE: Okay, that’s fine.

MR. LEARMONTH: – I want you to deal with the question you were asked – DG3.

MS. DUNDERDALE: So could you ask your question again?

MR. LEARMONTH: Well what – you didn’t have the information in the Grant Thornton

report, you didn’t know anything about it prior to sanction, right? The fact that there was a \$497 million P50 strategic risk management reserve recommendation from Westney, which was received by Nalcor on September 19, 2012. And the schedule risk in that report was – well it started out at one and then it was elevated to a P3.

So based on Westney, a reputable expert that Nalcor went to get advice from prior to sanction, there was a – we’ll say a 1 or 3 – 1 to 3 per cent chance that the schedule of July 2017 could be met.

You didn’t know that at the time of sanction, did you?

MS. DUNDERDALE: No, Commissioner, I did not know that.

MR. LEARMONTH: Well, don’t you think you should’ve been told about it? About the existence of that report?

MS. DUNDERDALE: I’m sure that what I needed to be told in terms of risk, that I was told.

MR. LEARMONTH: Yeah. So if there was a – if there – this report – you’ve seen this report, have you?

MS. DUNDERDALE: I haven’t seen this – only here, in the Inquiry.

MR. LEARMONTH: Yeah.

So – you don’t think that Nalcor had any duty to make you aware of that report before sanction?

MS. DUNDERDALE: I would have preferred if we had had a discussion around it. I’m not sure though – is my dilemma – if the pre-sanction build was not a result of that report.

MR. LEARMONTH: What do you mean by that?

MS. DUNDERDALE: If there was risk – and now I can call it strategic risk because –

MR. LEARMONTH: Or you can just call it risk. That’s fine.

MS. DUNDERDALE: – a risk because of a delay in schedule. And that’s what Westney was referring to. And I don’t know.

MR. LEARMONTH: Well, it was.

MS. DUNDERDALE: Then –

MR. LEARMONTH: That’s one of the things they were referring to.

MS. DUNDERDALE: Then that risk was mitigated –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – by the early works.

MR. LEARMONTH: But the early works were done before September 2012.

MS. DUNDERDALE: Well, I can’t speak to it then, Mr. Learmonth.

MR. LEARMONTH: Do you see the problem with what you’re saying?

MS. DUNDERDALE: I didn’t know about a P1 risk or a delay in schedule of years.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And I can guarantee you: If it existed, then we wouldn’t have gone to sanction when we did.

MR. LEARMONTH: You can guarantee the Commission that?

MS. DUNDERDALE: Yes, Commissioner, I certainly can.

MR. LEARMONTH: Well, if that – if it’s such an important point – and I share your belief on that – why can’t you acknowledge that if such a report existed that Nalcor should have presented it to you, made you aware of it – you and your members of Cabinet – before sanction? Why can’t you acknowledge that?

If it was so important that it would have stopped the project, I’d like you to tell the Commission why you didn’t think it was mandatory, incumbent on Nalcor, to present that to you and

say – and if they thought that they could mitigate it – if they thought they could – say: Look, we have a report here, Premier Dunderdale. Here it is. Now, we’ve taken the following steps to mitigate this. So we want you to be aware of it, but we want you to also take into account the measures we have taken, if they existed, to mitigate.

Don’t you believe that that, as a minimum, was incumbent on Nalcor?

MS. DUNDERDALE: But I think they had that conversation, but in a different way.

MR. LEARMONTH: When?

MS. DUNDERDALE: Not phrased as –

MR. LEARMONTH: When?

MS. DUNDERDALE: – you will put it.

MR. LEARMONTH: But when did they –

MS. DUNDERDALE: When –

MR. LEARMONTH: – have that –

MS. DUNDERDALE: – they came to us and said we’ve got slippage in the schedule. We didn’t sanction in July as we expected. We’re going to lose a whole year if –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – we delay much longer.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And that can cause a series of other effects that we don’t know what they are at this point.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: So, the only way that we can deal with it – is mitigate it. And this is what we’re going to do to do that.

MR. LEARMONTH: Yeah, and you said before that that – based on your authorization for them to proceed or your blessing for them to proceed with that, that the risk was taken away.

MS. DUNDERDALE: That was my understanding.

MR. LEARMONTH: Yes. Yeah, but I'm – that was your understanding, but I'm saying that this risk report from Westney – I'm going to show it to you – was received – the final version was received by Nalcor on September 19.

So, this meeting you had authorizing the work, and so on – that was done before. It had to have been done before. Yet, nevertheless, we know that the two Nalcor project team personnel, Mr. Harrington and Jason Kean, went to Houston, Texas, on July 13 and 14, 2012.

They retained Westney at a price of \$150,000 to \$200,000 – 'cause they're experts – to give them advice on strategic risk – on risk.

There were numerous drafts of the report. The final one was received by Nalcor on September 19, and it showed – well, let's say a – you know – a P1 or a P3. There's no difference according to Mr. Westney.

So, I'm suggesting that that belief you had that this work that you had authorized or blessed – that would've been known to Nalcor at the time that they got this risk assessment done. So that it's no longer – it's no longer a factor.

Do you see my point?

MS. DUNDERDALE: Yes. I don't know if that's the case, but I – if you say that the work had been done –

MR. LEARMONTH: Well, you're saying that you gave the authority for them to do ahead and do it.

MS. DUNDERDALE: I didn't have to give the authority, I don't think, but I certainly gave my approval.

MR. LEARMONTH: Your approval, yeah.

MS. DUNDERDALE: And we're involved in a political process here, as well.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: So, I have to be mindful of all of these things – in terms of how we spend money, and when we spend money, and so on.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: Part of the puzzle for me is: I don't know why you would eliminate \$500 million or \$300 million dollars of a project this size, when the numbers would accommodate that very comfortably without causing a great deal of consternation.

MR. LEARMONTH: You'll have to repeat that again. I don't understand what you're saying.

MS. DUNDERDALE: Well, Minister Kennedy and I – but particularly I from the get go – wanted to know what the number was.

So is the number 6.2; is the number 6.5; is the number 7? What is it? And nowhere along the line was anybody told, if it's more than 6.2, it's not gonna happen.

MR. LEARMONTH: No.

MS. DUNDERDALE: There was lots of cushion within the business case that we could easily have absorbed another \$500 million.

MR. LEARMONTH: Well, you're looking in retrospect now.

MS. DUNDERDALE: No, I was looking then, too, Mr. Learmonth. Remember I talked about earlier that we have 40 per cent of the power that we haven't monetized.

MR. LEARMONTH: Yeah, well, that's got nothing to do with what we're talking about; that has to do with, perhaps, a benefit, but don't mix that up, please, with the capital cost estimate, 'cause that's why I'm talking about.

MS. DUNDERDALE: But Mr. Learmonth, when we're talking about numbers, I have to know what the full benefit is before I can say whether a number is reasonable or not, so I can't divorce myself.

You know, the question that I heard asked here every day in the first weeks of this Inquiry was how much was too much. How much was too –

well, you have to know how much is there before you can answer that question. And for me, the issue was, clearly, I want to know what the number is and I want the true number as close as we could get it.

MR. LEARMONTH: Correct.

MS. DUNDERDALE: So don't tell me 6.2 if it's 6.7, and Nalcor would know, as well as I, that 6.7 could be affordable. So why you would have to put your finger on the scale one way or the other to make something look good when it wasn't necessary, I can't get my head wrapped around it. I don't understand why someone would put that forward as a rationale for not doing something.

MR. LEARMONTH: Well, you know, I can't understand it either (inaudible) –

MS. DUNDERDALE: Doesn't make any sense to me.

MR. LEARMONTH: Yeah, but that's what happened.

MS. DUNDERDALE: Well, I'm not sure that it is. I'm not convinced, Mr. Learmonth, that that did happen.

MR. LEARMONTH: Okay. Well, let's look at – it's in your book, it's volume 3, tab 10.

CLERK: Exhibit number?

MR. LEARMONTH: 00832.

THE COMMISSIONER: 00832?

That's tab 100. Yeah.

MR. LEARMONTH: Oh, excuse me – tab 100, yeah.

MS. DUNDERDALE: I'm lost, Commissioner.

MR. LEARMONTH: Volume 3.

MS. DUNDERDALE: Volume 3, so binder 3?

MR. LEARMONTH: Yeah, and it might be just tab 10 in volume 3, because, some of them,

they don't have the higher tabs. It's probably 10 –

MS. DUNDERDALE: Is it a letter to Mr. Martin?

MR. LEARMONTH: No, it's – this is the strategic risk report –

THE COMMISSIONER: I think we're on the wrong –

MR. LEARMONTH: – management reserve report.

THE COMMISSIONER: I think we have a problem here, because my tab 10, or 100 – are you sure it's not –

MS. O'BRIEN: Volume –

THE COMMISSIONER: – 100?

MR. LEARMONTH: Volume 3.

THE COMMISSIONER: Volume 3. Binder 3 of four. 'Cause what I – what this takes me to is 00868 – a letter from –

MS. O'BRIEN: My volume 3, tab 100, is 00832.

THE COMMISSIONER: Yeah, it's tab –

MR. LEARMONTH: Yeah, that's what I have.

MS. O'BRIEN: Tab 100.

THE COMMISSIONER: It's my tab 100.

MR. LEARMONTH: But it's – just for Ms. Dunderdale's assistance, it may be tab 10 because we don't have all the numbers. Like sometimes, they're put in as –

MS. DUNDERDALE: I have –

MR. LEARMONTH: – (inaudible).

MS. DUNDERDALE: – a letter from me to Mr. Martin, under tab –

MR. LEARMONTH: (Inaudible.)

THE COMMISSIONER: Tab 100. It's in tab 100. If you go back, in the front of the book there. It's the tab there. That is 100.

MS. DUNDERDALE: I got that now, Commissioner, thank you.

Thank you. Yes, I have it.

MR. LEARMONTH: Do you see that?

MS. DUNDERDALE: It's –

MR. LEARMONTH: (Inaudible) –

MS. DUNDERDALE: – Nalcor Energy, from Westney.

MR. LEARMONTH: No – well, the email – it's September 19, 2012, correct?

MS. DUNDERDALE: Oh yes, okay.

MR. LEARMONTH: “Nalcor Mgt Reserve Lender's Owner Contingency Report. Jason, Attached is the updated final report. Please call if you would like to discuss.”

Now, this is an – as you go to page 1, it's an “Analysis of Potential Management Reserve and Lender's Owner Contingency.” And then if you go to page 4, you'll see the ...

But anyway, I don't wanna go through the whole – you've never seen this before?

MS. DUNDERDALE: I don't think so, Mr. Learmonth.

MR. LEARMONTH: Okay.

Well, go to page 7, please. Do you see that there, Ms. Dunderdale?

MS. DUNDERDALE: Supporting Materials?

MR. LEARMONTH: No, page 7.

THE COMMISSIONER: Red page 7, on the top of the page.

MS. DUNDERDALE: Sorry.

THE COMMISSIONER: No problem.

MS. DUNDERDALE: Okay.

MR. LEARMONTH: You got that?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Do you see the figure 497 million?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: And this is dated September 19, 2012.

MS. DUNDERDALE: Mm-hmm.

MR. LEARMONTH: “Strategic Risk Exposure ... Potential Schedule Risk – Time Extension” – 184, “Potential Performance Risk – Productivity ... Potential Skilled Labour – Completion Bonus” – 82, “Potential Skilled Labour – Wage Rate ...” – 70.

Total of 497 million. And the history of this, just so you understand, is that, when this report was – well, when an earlier draft was done, Westney, the risk consultants, the experts, said you have a P1 assigned to the schedule. That means there's a 1 in 100 chance that you'll meet your schedule.

Well, Nalcor didn't – weren't happy with that, and as is their right, they went back to Westney with say, some more information, and that changed it from P1 to P3. In other words, a 3 per cent chance. Now, you know, Mr. Martin has – the evidence before the Commission is clear that the project management team understood there was strategic risk; Mr. Bennett understood it. One man drew a line through it and said I'm reducing it to zero – I'm reducing it to zero, that's what he said.

MS. DUNDERDALE: This risk –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: – identified on this page –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: – 7?

MR. LEARMONTH: Yes.

MS. DUNDERDALE: But is that not the risk that was mitigated before sanction?

MR. LEARMONTH: Well, apparently not, because Westney, as of September 19, thought it existed, and they were in regular communication with Nalcor over it.

So the evidence we have is that one man, Ed Martin, decided that – took his pen, with his 497 million, drew a line through it and said it's been mitigated to zero. You weren't aware of that were you?

MS. DUNDERDALE: I understood that this risk that's identified here in this Westney report was mitigated.

MR. LEARMONTH: Yeah, but do you agree that by looking at this report, that as of September 19, 2012, according to Westney, it had not been mitigated.

MS. DUNDERDALE: And I can't speak to either. I can tell you that I was told that that risk was mitigated.

MR. LEARMONTH: When? In your –

MS. DUNDERDALE: It would've been somewhere in that – somewhere between June, July forward.

MR. LEARMONTH: Yeah, of 2012?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: But do you see the problem with what you're saying, Ms. Dunderdale? The problem is that – okay, I'll accept what you're saying for the sake of this question, that you believe it had been mitigated in June or July or whatever of 2012. But if it had been mitigated, why on September 19, is Westney still saying that it existed?

MS. DUNDERDALE: I can't answer that, Mr. Learmonth. I wasn't in direct communication with Westney. I have no idea.

MR. LEARMONTH: Yeah, but does that give you concern that this report was not presented to you?

MS. DUNDERDALE: It gives me concern if the risk wasn't mitigated.

MR. LEARMONTH: Well, how – so you're saying if it wasn't mitigated after September 19?

MS. DUNDERDALE: Whenever it was mitigated. Before sanction is the big issue for me.

MR. LEARMONTH: Yeah, well how was it mitigated?

MS. DUNDERDALE: The labour contracts were put in place, there were early works on the site, there was an extra day added in to the schedule and there are a number of things that were done. The tote road was done –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – the camp was done.

MR. LEARMONTH: But –

MS. DUNDERDALE: There are a number of things that were happening all around that time that were mitigating risk.

MR. LEARMONTH: Yeah.

But that's information that you learned from the Commission of Inquiry. You didn't know it in –

MS. DUNDERDALE: That's not true, Mr. Learmonth.

MR. LEARMONTH: Okay, well, you never mentioned it before in your interview, all these things about labour and so on.

MS. DUNDERDALE: I mentioned it in the House of Assembly on a regular basis. So when we get the *Hansard* I'm sure you'll be able to talk about some of these things, but these things I knew at the time. I described the conversation with them coming to tell us that they were going to spend the money to build the tote road, to do the camp.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: We were all part of –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – going through the country wherever we could –

MR. LEARMONTH: Mmm.

MS. DUNDERDALE: – to talk about opportunities; so addressing the whole labour supply piece and what needed to be done and the website and so on. So government was engaged in these discussions.

MR. LEARMONTH: Yeah, but this preliminary work was done well before – or authorized well before September 19, 2012. Correct?

MS. DUNDERDALE: I can't speak to the time we had the reports, Mr. Learmonth. I – you know, I wasn't down at that level. I can tell you about the discussions that took place with me around these issues and what I understood.

MR. LEARMONTH: When were these discussions?

MS. DUNDERDALE: All of these discussions were – you know, it's hard to – if I had a half-dozen meetings with Nalcor through the course of the year or through the course of six months, then it would be much easier to recall specific conversations and so on; in the space of eight years that I was with this file – hundreds of meetings.

MR. LEARMONTH: And you don't have one record of any of them?

MS. DUNDERDALE: No, Sir. And hundreds of meetings right across government and I can't give you – unless very few meetings in government have a running record. It's not how work happens in government.

MR. LEARMONTH: Okay.

MS. DUNDERDALE: Once you take a decision, the decisions get recorded –

MR. LEARMONTH: Mmm.

MS. DUNDERDALE: – but the conversation – and most of the conversation is in camera. A lot of that you won't find any running record of a Cabinet meeting, policy committee meetings of the many, many things that we do and we meet a lot.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: But decisions are recorded, Commissioner.

MR. LEARMONTH: But – so let me ask you: This report was prepared and in the possession of Nalcor on September 19, 2012. Do you agree, yes or no, that Nalcor should have shown you this report and discussed it with you? Do you agree?

MS. DUNDERDALE: I would be a lot happier sitting here today if I could recall a conversation that somebody said to me, this is Westney's report and this is their conclusion and this is what we've done about it.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: But I can't recall that kind of a precise conversation around this. I cannot.

MR. LEARMONTH: Yeah. Well, I suggest it didn't happen. That's why you can't recall it.

MS. DUNDERDALE: Well, I'm not prepared to go that far, Mr. Learmonth.

MR. LEARMONTH: Well, no one has said that they showed the report.

MS. DUNDERDALE: They didn't show me the report. There's no question about that. I agree 100 per cent they didn't show the report.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: But I'm not sure that we didn't talk about the report. That's the issue.

MR. LEARMONTH: Oh, so you may have been aware of the existence of the report?

MS. DUNDERDALE: We were certainly aware of Westney.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And what Westney was saying from time to time.

MR. LEARMONTH: Yeah, I'm not talking about: Were you aware of Westney.

MS. DUNDERDALE: But I don't – if somebody had come to me – I can tell you this clearly – and say – and said to me, we're on a P1 schedule so this thing is going to be years late –

MR. LEARMONTH: Which it is.

MS. DUNDERDALE: – and it's going to cost hundreds of millions of – we don't know why yet, Mr. Learmonth, I don't think. I think we've still got some work to do.

MR. LEARMONTH: That's right.

MS. DUNDERDALE: But if they had said this thing is going to be years late and it is going to cost billions of dollars more than the estimate, I can guarantee you, Sir, there'd be no Muskrat Falls with my name associated with it in any way.

MR. LEARMONTH: Yeah.

Because the schedule was very important, wasn't it?

MS. DUNDERDALE: All of it was very important.

MR. LEARMONTH: But you –

MS. DUNDERDALE: We had the mantle of the Upper Churchill, Commissioner, around our neck. And I know that Professor Flyvbjerg talked about the rapture of getting tangled up in a megaproject. I missed that part completely, Mr. Learmonth, let me tell you. This was a huge responsibility.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And we worked very, very hard at getting it right.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: We put 10 years of work into it; we went to three elections on it. It was an important piece of public policy.

MR. LEARMONTH: Mmm.

MS. DUNDERDALE: So it was important to us.

MR. LEARMONTH: And if you'd known there was a P1 schedule, you would have not gone ahead?

MS. DUNDERDALE: If somebody told me that this was going to be the result of the sanction of Muskrat Falls, then not only would I not have signed on to it, Commissioner, none of my Cabinet or government would have.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: Just would not. I don't think Nalcor would have.

MR. LEARMONTH: Yeah, but –

MS. DUNDERDALE: There is no joy in having a failed project to your name.

MR. LEARMONTH: Yeah.

But why – are you saying all – I won't belabour this much anymore, but – so can you not acknowledge that Nalcor should have provided this report to you? I'm not asking whether you think it would have been nice or that you agree that there was an obligation on Nalcor to put this report before you, and if they thought that they could mitigate it to have a discussion with you so you would – you and your – and then you could advise your Cabinet ministers about this report and then you'd be fully informed.

MS. DUNDERDALE: I don't have any issue with that, Mr. Learmonth.

MR. LEARMONTH: Oh, so you do agree with that? Okay. Fair enough.

Because there's another issue here too, isn't there, Ms. Dunderdale, and we'll get into this later. Do you agree that as a premier or a

politician of any level that it's critical that you give correct and accurate information to the people of Newfoundland and Labrador when you're making announcement that a project such as this has been sanctioned?

MS. DUNDERDALE: Absolutely.

MR. LEARMONTH: Yeah.

And in order to make a true and accurate statement, don't you have to have all the available information?

MS. DUNDERDALE: Absolutely, the same as I do every year in the budget, Mr. Learmonth.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: You do the analysis; you calculate the risk, you –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – make an assessment and to the best of your knowledge – every time we announce a hospital, every time we announce any–

MR. LEARMONTH: Mmm.

MS. DUNDERDALE: – a ferry, anything – you make the best assessment, based on the information you have at your time –

MR. LEARMONTH: Mmm.

MS. DUNDERDALE: – at the time to inform the people of the province. And I would go so far as to say that there has never, ever in the history of Newfoundland and Labrador been a piece of work done by the government that had as much knowledge published and shared about it as Muskrat Falls, ever in our history.

MR. LEARMONTH: Well, you were missing, I suggest to you, an important piece of information and that's the schedule. So, you know, do you want to respond to that?

MS. DUNDERDALE: No, Sir.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: I stand by my statement.

MR. LEARMONTH: Yeah.

But if Nalcor – you've acknowledged that Nalcor should have given this document to you. Correct?

MS. DUNDERDALE: I would have appreciated hearing – and I may have in some – I can't recall if I had been told that Westney made this report and this is what we've done about it. I don't have that kind of recollection. I don't.

MR. LEARMONTH: Well, I'll just tell you, no one said that – from Nalcor, Mr. Martin or anyone else said that they did mention this report to you.

So there's no problem with what you're saying now.

MS. DUNDERDALE: So, but I wish I had the full context –

MR. LEARMONTH: Yes.

MS. DUNDERDALE: – of the mitigation, absolutely. (Inaudible) the mitigation that I believe (inaudible).

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: I wish that I had full context.

MR. LEARMONTH: Because then you can look the people in the eye and say: Look, I have all this information and I'm telling you that it's 6.2, and that's a solid estimate, and it's been tested and we're satisfied that the budget will – is satisfactory to get this done.

MS. DUNDERDALE: And that's what I believed.

MR. LEARMONTH: Yeah, that's what you believed.

But I suggest to you that without having all the information, even though you may have made an honest statement – you were making a wrong statement, innocently.

MS. DUNDERDALE: Well, the inquiry will speak to that, and I'm anxious to hear the answer to that question.

MR. LEARMONTH: Okay, (inaudible).

By the way, the – you mentioned earlier that – I think you said something that you didn't know when or who was present at the meeting, but at some point you became aware that if this thing goes, I think you said: Down south or south or something like that, what's the absolutely worst-case scenario we can be at that you recall the number of – mention of a 500 million?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Is that right?

MS. DUNDERDALE: Yeah.

MR. LEARMONTH: And once again, you don't know when that was said, do you?

MS. DUNDERDALE: It would have been close to sanction.

MR. LEARMONTH: Yeah. And who was present at that meeting when this was (inaudible)?

MS. DUNDERDALE: I can't tell you – Mr. Martin –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: But I –

MR. LEARMONTH: He's the one who told you, right?

MS. DUNDERDALE: And the usual cast, I would assume.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: Somebody else had to be there, Mr. Learmonth, 'cause I never met with the man alone.

MR. LEARMONTH: Yeah, but none of the other people that would most likely have been there – that would be Robert Thompson, that'd Charles Bown, or that would be Jerome

Kennedy – has any recollection of any such comment.

MS. DUNDERDALE: Well, the only thing –

MR. LEARMONTH: And in fact, Jerome Kennedy's –

MS. DUNDERDALE: – I have the –

MR. LEARMONTH: – adamant –

MS. DUNDERDALE: – I have the greatest respect for all of those people. I asked the question and in my view, everyone else should have asked the question, too.

We'd been in government a long time, we'd been spending a lot of money.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: I don't know – so we knew that things had a tendency to be over budget.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: So if somebody – I've been far more concerned if somebody would've absolutely, totally guaranteed me that that was coming at 6.2 and not a cent about.

Now, I'm gonna take exception to that kind of a remark and say –

MR. LEARMONTH: Well, you know, a person making that representation would have to be a fool, I suggest to you, and the person receiving the information would have to be a fool if that person accepted it –

MS. DUNDERDALE: So –

MR. LEARMONTH: – because –

MS. DUNDERDALE: So the question is: If it's 6.2 and you think you can bring it in as 6.2 – you're sure you can – you're fairly certain you can bring it in at 6.2, maybe less – and that's where the bulk of your confidence is.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: So, I accept that.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: But I'm a sensible person and I wanna know if something does happen and this goes over, given all your planning and your preparation and everything that you can foresee, how bad can this get?

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: And I was told in the \$500 million range at worst case scenario.

MR. LEARMONTH: And that wasn't really accurate, was it?

MS. DUNDERDALE: No, not today, it's not accurate.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: But that – my whole point is, in terms of mitigation, Commissioner, a \$500 million or having to add \$500 million to the budget wouldn't have been an insurmountable task.

MR. LEARMONTH: No.

MS. DUNDERDALE: There was lots of room in the budget to add funds if we needed to add funds, to make sure that we were as on the mark as we could be in terms of what this project would cost.

And why anybody felt that they had to mitigate cost in some kind of a way or hide cost or – doesn't make any kind of sense to me.

MR. LEARMONTH: No, it doesn't, does it?

MS. DUNDERDALE: It doesn't.

MR. LEARMONTH: Well, you know, Mr. Kennedy would have taken – took a different approach. He would definitely wanted to know if there was some report where a risk of 500 million was there, because he would have looked at it. He said that: I wanna stop and have a look on the effect that that'll have on rates.

MS. DUNDERDALE: Major –

MR. LEARMONTH: He said that.

MS. DUNDERDALE: – consideration –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – the whole way through.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: Major and – Minister Kennedy came to me on more than one occasion saying: Why don't we put a monetary value to the 40 per cent of power and tell people we're gonna apply it to the rates? And I wouldn't do that.

I wanted us to build the project, let the number be the number, let the rates be the rates. There were methods that we could mitigate the rates – if need be. But let's have a clear look at what the picture is here.

MR. LEARMONTH: At the cost.

MS. DUNDERDALE: At the cost.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And when the project is done, then if we have excess value in the contract – and we do – then either we or governments that come after us, when this thing is in service, will make the decision on what happens in terms of rates.

MR. LEARMONTH: Did you ever put that line of thought in a public statement?

MS. DUNDERDALE: We talked about it all the time in the House of Assembly. This issue dominated the House of Assembly –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – from the moment we almost came to power and talked about developing the Upper Churchill.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And it was clearly understood that we hadn't monetized 40 per cent of the power.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: And the full cost of the project was going to be borne by ratepayers.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: And the leader of the Opposition made reference to it almost daily in Question Period.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: So it was well understood.

MR. LEARMONTH: Hmm.

MS. DUNDERDALE: But whatever benefit was in the business, whatever benefit we realized from the project, was gonna be to the benefit to the people of Newfoundland and Labrador – however it was applied. You know, from my thinking, you know, we either mitigate the rates – maybe we need a new hospital, maybe we need new schools, whatever. The government of the day would make that decision in concert with the people of the province.

MR. LEARMONTH: Yeah. But when you were announcing this project –

MS. DUNDERDALE: Yes.

MR. LEARMONTH: – and saying it was 6.2 billion.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Did you tell the people of the province that: Well, look, you know, if there's cost overruns, we're gonna have more money from surplus sales and so on, so don't worry about it?

MS. DUNDERDALE: Oh, we talked about surplus –

MR. LEARMONTH: Did you tell the public that?

MS. DUNDERDALE: We talked about it all the time in the House of Assembly, which is where I talk as premier –

MR. LEARMONTH: Well, what about when you –

MS. DUNDERDALE: – to people of the province, Mr. Learmonth.

MR. LEARMONTH: What about when you announced it to the public? Did you mention that – you know, words to the effect – that: Well, if this thing goes over budget, we have a level of protection because we're gonna have excess sales? Did you tell the people that?

MS. DUNDERDALE: No, I didn't, Mr. Learmonth –

MR. LEARMONTH: Why not? If that was on your mind or if that was a factor, why didn't you?

MS. DUNDERDALE: Because at that time, I didn't think there was a high risk of us going over.

MR. LEARMONTH: Well, you didn't –

MS. DUNDERDALE: And I'm not gonna advertise either, Mr. Learmonth, that there's lots of money to spend on this project.

MR. LEARMONTH: Well –

MS. DUNDERDALE: Even when we did pieces of the work in other parts of government, and we had firm contracts, there was always – and not always, but significantly often people coming in around, after the fact, and trying to renegotiate more money. So we had learned through hard experience to be conservative when you were talking about money.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: But everybody in this province who was paying any attention to open line shows, to our consultations, was paying attention to House of Assembly, we're well aware that 40 per cent of the power hadn't been monetized, and that was earmarked, primarily, for industrial development in Labrador.

MR. LEARMONTH: Well, what's that got to do with the subject of making an accurate announcement to the public as to the capital cost of this project?

MS. DUNDERDALE: The capital –

MR. LEARMONTH: What has that got to do with it?

MS. DUNDERDALE: The capital cost of the project was 6.2.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: If I were gonna talk about the benefit – and we talked about all kinds of benefits, but I could've talked about \$24-\$25 billion of benefits to the people of the province from the project, over –

MR. LEARMONTH: What's that got –

MS. DUNDERDALE: – the next 50 years –

MR. LEARMONTH: – to do with capital cost estimates?

MS. DUNDERDALE: But why – if I were gonna talk about it and talk about that non-monetize power, why wouldn't I talk about all the rest of it? Why –

MR. LEARMONTH: Well, if you –

MS. DUNDERDALE: – wouldn't I –

MR. LEARMONTH: – want to talk about that, why don't you just say it's free, because we're getting all these dividends from it?

MS. DUNDERDALE: But we might get it free. That's a policy decision by government, isn't it?

MR. LEARMONTH: What?

MS. DUNDERDALE: If we're gonna earn, over the life of the project, \$22 million from rentals, and return on equity and so on, and we can monetize 40 per cent of the power – will be somewhere, I understand, between \$2 billion and \$3 billion – then we can certainly pay down our debt and still have \$14-\$15 billion to the

good, and so we might do free power. That depends on the government of the day, I guess.

MR. LEARMONTH: So are you serious in what you're just saying?

MS. DUNDERDALE: I'm just saying that –

MR. LEARMONTH: No, but are you – you know, we're talking about capital cost estimate. Are you serious about what we just said?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: You are?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Okay. Very good.

THE COMMISSIONER: I think we'll take our break here now this afternoon. It's 3:30, so we'll take a break now – 10 minutes.

CLERK: All rise.

Recess

CLERK: All rise.

Please be seated.

THE COMMISSIONER: All right.

Mr. Learmonth, when you're ready.

MR. LEARMONTH: Ms. Dunderdale, you mentioned that you were aware was a P50, the figure of 6.2, correct?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Okay, what does a P50 mean?

MS. DUNDERDALE: P50 means – a P50 is probability factor. And the probability of P50 is that it's got a 50 per cent chance either way of coming in on schedule and/or on time.

MR. LEARMONTH: On budget.

MS. DUNDERDALE: On budget. Sorry, yes.

MR. LEARMONTH: So did you share that information with your other members – members of your Cabinet?

MS. DUNDERDALE: I can't tell you, Mr. Learmonth.

MR. LEARMONTH: Well did you –

MS. DUNDERDALE: They were fully briefed before we went to sanction. We had the Cabinet papers, we had Cabinet discussion.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: We had a full briefing. We had a caucus discussion.

MR. LEARMONTH: But there's no mention of it in the memorandum to the Executive Council for sanction. About the P50.

MS. DUNDERDALE: And – you know, it wasn't normal that – on any project that we did – that we include a P-factor. So it's not anything anyone would have had antennae out for.

MR. LEARMONTH: But if it was a P50, do you not think it was important to tell the people that, look, we have a \$6.2 billion cost estimate. There's a 50 per cent chance it could go over and a 50 per cent chance it could go under?

MS. DUNDERDALE: We didn't talk to our projects in that language, Mr. Learmonth, we didn't make our announcements –

MR. LEARMONTH: Why not?

MS. DUNDERDALE: – in that kind of language.

MR. LEARMONTH: Why not?

MS. DUNDERDALE: We just never did. It's never been the practice of governments to do so as far as I know.

MR. LEARMONTH: But isn't it the objective in making announcement to give a clear, honest statement to the people that are paying for this?

MS. DUNDERDALE: I gave a clear, honest statement to the people, that we were

sanctioning this project at \$6.2 billion and that I felt, with all the information that I had been provided and the work that had been done over the last 10 years, that the number was a good one.

MR. LEARMONTH: But anyway, you didn't think it was important to say that there was a 50 per cent chance of it going over and a 50 per cent chance of it –

MS. DUNDERDALE: That wasn't a thought in my head, Mr. Learmonth. Just didn't approach it in that kind of a way.

MR. LEARMONTH: Okay. Now, you've referred to the – you referred earlier this morning to the NRCan report? Natural Resources Canada?

MS. DUNDERDALE: Yeah.

MR. LEARMONTH: And what did you have to say about that?

MS. DUNDERDALE: I don't recall, Mr. Learmonth.

MR. LEARMONTH: Was that one of the things that you relied on for risk assessment? Did you say that?

MS. DUNDERDALE: No. I – 'cause, like, I knew that NRCan – I can't say that we were preoccupied with risk, Mr. Learmonth. It was something that we regularly talked about. There were so many moving parts in progressing this project forward over the years – so many things that had to get done.

What I said to you this morning is that, Commissioner, we talked about risk all the time as we – you know, you had to talk about it in terms of transmission. We had to talk about it in terms of iceberg scouring. We had to talk about it in terms of having the labour to do the work once we sanctioned the project and so on.

So, it was always in the mix of our conversations. But there were many, many, many things being talked about at the same time. So, it was just one thing in the mix of many things. It wasn't the overarching discussion.

MR. LEARMONTH: Well, but you mentioned the NRCan report suggesting you put some reliance on that.

MS. DUNDERDALE: Well, I put some reliance on it, Mr. Learmonth, because the federal government were going to give us a loan guarantee for \$4.5 billion, which they had to book and I had a meeting with Finance Minister Flaherty who underscored to me how very serious this was – and with the prime minister as well on our numbers being good and they were doing their due diligence.

So, in terms of having a degree of reassurance when the loan guarantee was finally approved I inferred that this business case had met their standards – enough for them to put \$4.5 billion on the table.

MR. LEARMONTH: But that wasn't until November – late November 20013.

MS. DUNDERDALE: But we were talking and negotiating months before that –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – Mr. Learmonth.

MR. LEARMONTH: But –

MS. DUNDERDALE: I met with the prime minister and he talked to me about numbers a long time before sanction.

MR. LEARMONTH: Yeah. But are you saying that before sanction the Government of Canada had done a risk assessment on this project?

MS. DUNDERDALE: I'm just saying they had reviewed the numbers and in reviewing – doing a wholesome review where you're putting up \$4.5 billion – maybe I assumed – and maybe I assumed incorrectly – Mr. Learmonth, but –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – I think if I were lending somebody or booking \$4.5 billion, I'd have a good look at the risk assessment before I'd put my money on the table.

MR. LEARMONTH: Yeah. But they did their risk assessments in 2013.

MS. DUNDERDALE: But they –

MR. LEARMONTH: With the independent engineer.

MS. DUNDERDALE: – we were working the numbers with NRCan long before that –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: So this work goes on for months and months and months, and you're building up a picture, and, you know, people have enough information, Commissioner, to be able to speak to you cogently about what they're saying before the project is complete or the piece of work is complete.

MR. LEARMONTH: Well, if the risk assessment was done by the Government of Canada before sanction, can you tell me why they would've done a series of risk assessments and appointed the independent engineer –

MS. DUNDERDALE: I don't know, Mr. –

MR. LEARMONTH: – in 2013?

MS. DUNDERDALE: Commissioner, I can't speak to that level of detail.

I was premier of the province; I was running the province doing the many, many things that are required of you on a daily basis. So, you know, Finance was involved; Natural Resources was involved; NRCan was involved. I imagine Finance – you know, Mr. Flaherty was certainly familiar with what we were doing.

So all of those people were engaged –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – and they were reporting back to me –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – on whether more information was required or what they felt about this or – and at the end of the day that everybody

had a high level of belief that this was a good, solid project.

We also had the banks look at it; we had our rating agencies look at it. You know, the banks were prepared to lend us money without the loan guarantee and without the Maritime Link. So, you know, these are people who do due diligence. They're putting money at risk.

So if they come back and tell me we find this satisfactory or we give you an A rating, then I take comfort in that.

MR. LEARMONTH: Yeah, but are you saying that the Government of Canada completed its due diligence, including a risk assessment, before the sanction date of December 17, 2012 –

MS. DUNDERDALE: I can't –

MR. LEARMONTH: – are you saying that?

MS. DUNDERDALE: – give you that level of detail.

MR. LEARMONTH: Okay, okay.

MS. DUNDERDALE: I can tell you that the prime minister was satisfied enough with what he had seen that he was prepared to put his name on an agreement to give us the loan guarantee.

MR. LEARMONTH: Yeah, but there had to be a lot of work done in 2013: the legal, the analysis –

MS. DUNDERDALE: Yes, until we got the financial close –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – absolutely.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: It's an MOU, but –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – you have to do an awful lot of work before December – or before November 30 to put your John Henry on that letter as well.

MR. LEARMONTH: Okay.

Now, the MHI report, I wanna show you some documents about that. The – we know that the PUB filed its decision at approximately 10 o'clock on March 30, 2012.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Do you agree with that? And the information we have, particularly from Mr. Bown, is there was a big rush to get MHI retained to do the DG3 review. Is that right?

MS. DUNDERDALE: If Mr. Bown says so. We certainly were interested in getting a review, and I remember the discussion around engaging MHI.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: And of course, we wanted to do it as quickly as possible, because, you know, we were very concerned about losing a full construction year, the longer things were going on. So I remember the discussion, and I can't tell you who suggested MHI; it might've come from the Department of Natural Resources.

MR. LEARMONTH: Yeah. But was there a rush to get them retained and engaged to do a DG3 review after you received the report of the Public Utilities Board?

MS. DUNDERDALE: I'm not sure, Mr. Learmonth, that I would characterize it as a rush. I think we saw it as an opportunity.

You know, a lot of the debate was really intensified in the public arena by then. And there was a lot of you can't trust anybody. You can't trust him because he's associated with her, or this company did this, or you can't believe their numbers or there should be a Nalcor one and a Nalcor two because you can't rely on anything Nalcor one says and so on.

So we wanted to do an independent analysis, and when we were gonna do that, you run the taint of being the person who picks and hires the organization that's gonna do the independent analysis. And we thought we had a real windfall

with MHI because the PUB had chosen MHI. We had nothing to do with it.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: And so nobody could accuse us of having a vested interest by hiring MHI, and MHI was thoroughly familiar with DG2 numbers, which gave them a great foundation of information to do the work. So I think we saw it more as an opportunity than – but I’m not denying that, you know, timeliness was important. But it was a real opportunity, a windfall, to be able to get this independent group to do this piece of work of which they already had significant information.

MR. LEARMONTH: Well, why wouldn’t you get someone with a fresh set of eyes to look at this? Why would you go back to MHI, which had already endorsed the DG2 numbers? Why wouldn’t you go for someone who hadn’t seen it before and pick someone new to look at it?

MS. DUNDERDALE: Well, why would you do that, Mr. Learmonth? I wouldn’t suspect that MHI had a jaded view because they found the numbers were okay or they have reviewed them all. I just think that gives them a broader, deeper understanding of the project that they can build on

MR. LEARMONTH: So you don’t think there’s any merit to getting a new group to look at the DG3 numbers after MHI had already, basically, endorsed the DG2 numbers?

MS. DUNDERDALE: I think it’s a greater advantage, in fact, to have MHI review the DG3 numbers because they didn’t have to take significant time familiarizing themselves with had taken place in DG2.

MR. LEARMONTH: Okay.

Now, Mr. Bown said that he was – like, after the receipt of the MHI report – he was in a rush, he was directed to rush this and he was under pressure to do so. Do you recall that?

MS. DUNDERDALE: Not from me, Mr. Learmonth.

MR. LEARMONTH: No? Well, I’m just reading from his transcript, page 74, of his evidence on December 5. He says – and in reference to retaining MHI – question – yeah. But you were in a rush, weren’t you? Mr. Bown: Absolutely. Mr. Learmonth: Under pressure? Mr. Bown: Yes.

Do you know why Mr. Bown was under pressure and in a rush?

MS. DUNDERDALE: I can’t really speak to it, Mr. Learmonth.

MR. LEARMONTH: You can’t? All right.

Now, I want you to turn to volume 4, tab 146, Exhibit P-01657?

MS. DUNDERDALE: Can I have the tab number again, please?

MR. LEARMONTH: One-four-six.

THE COMMISSIONER: One-four-six. It’s under 46.

MS. DUNDERDALE: I thought I was in trouble again, Commissioner.

THE COMMISSIONER: Number –

MS. DUNDERDALE: Forty-six?

THE COMMISSIONER: – 46. Yeah.

MS. DUNDERDALE: And Exhibit 01657?

MR. LEARMONTH: Yes.

MS. DUNDERDALE: Okay.

MR. LEARMONTH: Okay, do you have it?

MS. DUNDERDALE: Yes, Sir.

MR. LEARMONTH: Okay, so this is a note – it was done in Mr. Kennedy’s handwriting, but this – because his writing wasn’t perfect, we tried to get it transcribed, with his approval.

MS. DUNDERDALE: Thank you –

MR. LEARMONTH: So –

MS. DUNDERDALE: – for that.

MR. LEARMONTH: “April 1, 2012 Meeting re PUB Report; Robert, Premier, Brian, Glenda, Ed, Charles, JPK.”

So we know that – Mr. Kennedy has identified Robert Thompson and you as premier, Brian – which I believe – Crawley – and then Glenda – Taylor, excuse me – (inaudible) Taylor, I’m sorry about that – Brian Taylor. He’s your chief of staff, was he?

MS. DUNDERDALE: Yes, he was.

MR. LEARMONTH: Yeah. And Glenda?

MS. DUNDERDALE: Glenda – Glenda Power, she was –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – my communications.

MR. LEARMONTH: Yeah. And then Ed – and that would be Ed Martin – Charles Bown and Jerome.

So you – you’d be there with two people from your staff. Is that correct?

MS. DUNDERDALE: That’s right.

MR. LEARMONTH: Okay.

So this is a meeting on Sunday morning concerning the PUB report and the release and so on.

Do you remember attending that meeting?

MS. DUNDERDALE: No, but I’m sure I was there.

MR. LEARMONTH: You don’t have any recollection of it at all?

MS. DUNDERDALE: No, Mr. Learmonth, I don’t.

MR. LEARMONTH: Do you recall attending – or your representatives attending a meeting?

And that’s on the next page of the exhibit. It’s page 2 – just turn over.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: This is a minute of a meeting – April 6, 2012. You’re not alleged to have been there, but your staffers are reported to have been there.

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Do you know anything about this meeting?

MS. DUNDERDALE: I don’t recall hearing anything about the meeting.

MR. LEARMONTH: But your – the staff people – Brian and Glenda – they would –

MS. DUNDERDALE: They may very well have told me about it, Mr. Learmonth. I’m just telling you I don’t – I don’t recall.

MR. LEARMONTH: Well, wouldn’t they definitely have told you about this meeting? I mean, they’re – you’re sending, you know, they’re going to a meeting and they’re representing your office. Can’t we assume that they would have reported –

MS. DUNDERDALE: Yes –

MR. LEARMONTH: – to you?

MS. DUNDERDALE: – I would assume that they would tell me something about it.

I’m just telling you that I don’t have any recall.

MR. LEARMONTH: Yeah.

Well, Mr. Bown recalls that at this meeting a decision was made to proceed with the MHI report – a review of the DG3 numbers – without MHI being required to conduct a risk assessment.

Does that ring a bell? You see there’s a reference to risk –

MS. DUNDERDALE: Yes.

MR. LEARMONTH: – analysis, contingency back-up?

MS. DUNDERDALE: Yeah.

I don't remember at all being – I thought the same type of analysis that MHI had done for the PUB was the exact type of analysis that was gonna be done for us now on DG3.

MR. LEARMONTH: So –

MS. DUNDERDALE: And so whatever was included with the PUB was gonna be included in this DG3. We're gonna be comparing apples to apples.

MR. LEARMONTH: That was your understanding?

MS. DUNDERDALE: Yes, it was.

MR. LEARMONTH: But –

MS. DUNDERDALE: And nobody disabused me of that, Mr. Learmonth.

MR. LEARMONTH: Well, your staff members were there –

MS. DUNDERDALE: They may have been.

MR. LEARMONTH: – and they may have reported back to you on the outcome of this meeting?

MS. DUNDERDALE: I don't recall them reporting back to me on it. But they may have.

I don't know.

MR. LEARMONTH: They may have.

MS. DUNDERDALE: I don't know.

MR. LEARMONTH: You just don't remember it?

MS. DUNDERDALE: I can't swear to it one way or the other, –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – Mr. Learmonth. I don't know.

MR. LEARMONTH: Okay.

Now, at this – at the bottom of – towards the bottom of this April 6, 2012 note it says: "Premier" – quote – "there have to be deadlines" – and – "MHI's involvement changes timelines. DG3 ... always meant to be provided in June."

Now, that seems to be something coming from your office.

Do you agree?

MS. DUNDERDALE: There would have been – for me to be – for somebody to repeat that I say: There have to be deadlines – wouldn't be unusual. You know, you have to put stakes in the ground when you're trying to get pieces of work progressed.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: And so, I would want deadlines.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: And especially coming up to an important decision. If we're starting to move towards sanction, and then there have – I have to have time to do a number of things that need to be done – like go to the House of Assembly.

So if somebody is repeating that I keep saying: There have to be deadlines – then that would be right.

MR. LEARMONTH: Yeah.

Well, that would have been a message communicated by perhaps Brian or Glenda at the meeting?

MS. DUNDERDALE: It could very well be. Or the minister would have known it himself as well.

MR. LEARMONTH: Right. But you have no recollection of that at all?

MS. DUNDERDALE: That's not something I would have said once, Mr. Learmonth. That's something I would have said regularly.

MR. LEARMONTH: All right.

But Mr. Bown was very clear in saying: At this meeting, it was decided that the risk analysis that had been proposed by MHI could not be done by June. Nalcor wasn't ready to do it. And for that reason, a decision was made to remove the risk analysis requirement from MHI's work.

Does that ring a bell?

MS. DUNDERDALE: No, it does not.

MR. LEARMONTH: Once again –

MS. DUNDERDALE: I heard it here.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: But I don't recall.

MR. LEARMONTH: So you have no – so it may have been reported to you, but you don't remember it.

Is that right?

MS. DUNDERDALE: I don't – I have no recall of that.

MR. LEARMONTH: Yeah.

But you had no recall of the April 1 meeting either. So ...

MS. DUNDERDALE: Well I – there were so many date – I can't tell you – you know, I can't tell you if I was told or if I wasn't told.

MR. LEARMONTH: Okay, that's fair enough. You can't.

MS. DUNDERDALE: I can't swear to it one way or another.

MR. LEARMONTH: Yeah, but this was something that that – this schedule, this June schedule – according to Mr. Bown – was driven by you. That this work had to be done by June.

MS. DUNDERDALE: That could very well be.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: If I were trying to get into the House of Assembly –

MR. LEARMONTH: Okay.

MS. DUNDERDALE: – that might very well have happened.

MR. LEARMONTH: Okay.

Why would you be determined to get into the House of Assembly on the Muskrat Falls Project in June of 2012, why?

MS. DUNDERDALE: Because we – if I felt we might be going to sanction in July or August, I would want to get into the House of Assembly.

MR. LEARMONTH: Yeah.

But what – wouldn't it be important to have a proper risk assessment done of the DG3 numbers?

MS. DUNDERDALE: There's a – I want a proper assessment of all the numbers, and that includes risk.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: So, you know, I can't, I – I have no recall of saying risk had to be out of that – I don't even know why I would say it.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: I wouldn't –

MR. LEARMONTH: But according to Mr. Bown, the reason that the risk assessment was taken away from MHI was that Nalcor was saying: There's no way we can be ready to have a risk assessment of our work done by June. So if you want to meet the June deadline, we can't get the risk assessment done.

And the result of that was – the risk assessment was removed from the scope of work.

Does that ring a bell?

MS. DUNDERDALE: I have no recall at all, Mr. Learmonth, none.

MR. LEARMONTH: So you may have been aware of it at the time, but you can't remember.

MS. DUNDERDALE: I could very well have been aware of it, Commissioner. I can't swear to it one way or the other.

MR. LEARMONTH: Because, I mean, your staffers are there, that's –

MS. DUNDERDALE: Absolutely.

MR. LEARMONTH: – they're representing you, so they must have known it.

If Mr. Bown's evidence is correct – and he's certain it is –

MS. DUNDERDALE: Absolutely –

MR. LEARMONTH: – they must have known about it.

MS. DUNDERDALE: And if I knew what the definitive answer was, Mr. Learmonth –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – you would have it.

MR. LEARMONTH: Yeah. But –

MS. DUNDERDALE: I can't tell you what I don't know.

MR. LEARMONTH: Yeah.

But if Brian Taylor is at a meeting – he's your chief of staff?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: Wouldn't it have been his duty to report that information to you?

MS. DUNDERDALE: I don't know, Mr. Learmonth.

It depends again what kind of significance he would've put the risk analysis. I can't speak to it, I don't know, and I can't surmise on what

Brian's thinking was or anybody else's thinking was. You know, they obviously felt comfortable enough, you know, agreeing to go ahead without it there.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: So maybe they didn't think it was important enough to bring to my attention. I don't know.

MR. LEARMONTH: Or they might have –

MS. DUNDERDALE: Or maybe they brought it to my attention and I said, that's fine.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: I don't know.

MR. LEARMONTH: But –

MS. DUNDERDALE: I'm telling you I can't give you an answer that I can swear here is truthful because I don't have any recall.

MR. LEARMONTH: Yeah, but do you agree that performing a risk analysis is an integral part of doing a review of the capital cost estimates? In other words, you can't do a proper assessment of the total package unless you review risk. Do you agree with that?

MS. DUNDERDALE: Now, Mr. Learmonth. I would not have given it the same degree of priority that you give it. I just wouldn't.

MR. LEARMONTH: Why not?

MS. DUNDERDALE: Because we didn't talk about the project in those – in terms of risk. The way that risk gets talked about here and the way you talk about risk is like it was a preeminent feature of our discussion and planning and so on and I can tell you that it wasn't. Risk was discussed regularly, but it was in a whole array of other issues that where, on all of it were at different heights of priority or different, you know, priority in their development or consideration, depending on what was going on at the time.

So how many other discussions were taking place around this, what was most significantly

going on around the project at the time: there's a number of things. We wouldn't have started every meeting or come to every meeting or had a risk discussion in every meeting. It just didn't happen that way.

So I don't know if anybody put the same emphasis to risk that you're applying here today. And that might be some of the issue I'm having in terms of recall, Commissioner.

MR. LEARMONTH: Yeah, but do you agree that if you're going to retain someone to do a review of the capital cost estimates, that they can't complete a thorough review unless they do a risk assessment because you're only – because they're not covering the whole package.

MS. DUNDERDALE: I can't speak to it any further, Mr. Learmonth. You know, they did a review of the numbers for us; they had a contingent risk as far as I know.

MR. LEARMONTH: Well, they didn't have –

MS. DUNDERDALE: They didn't have – we had the contingent risk. They weren't reviewing that piece, but we understood what the contingent risk was –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – or the numbers we were given, being reassured that they were correct and sufficient for what we're doing and the work was progressed.

MR. LEARMONTH: So are you saying that in order to conduct a review of the capital cost estimates for DG3, it wasn't necessary for MHI to review the strategic risk component? Is that what you're saying?

MS. DUNDERDALE: No, I wish that MHI had reviewed the risk component.

MR. LEARMONTH: Why?

MS. DUNDERDALE: I'm –

MR. LEARMONTH: Why do you wish they had?

MS. DUNDERDALE: Just by virtue of the fact we're here today. So that you dot every i, you cross every t, you do your due diligence so that at the end of the day, whenever you're talking about anything, that you can provide to whoever is asking – and particularly the people of the province – what your work is and how well you've done it.

So there was nothing – there was lots in this project that frightened me, but there was nothing in this project that I didn't want the people of the province to know.

MR. LEARMONTH: Now, why wouldn't you – if that's the case, why wouldn't you insist that a risk analysis be done?

MS. DUNDERDALE: As far as I knew, risk analysis was being done. Nobody came and told me that we're not doing a risk analysis –

MR. LEARMONTH: That you –

MS. DUNDERDALE: – it's been removed –

MR. LEARMONTH: That you remember.

MS. DUNDERDALE: – that I know anything about.

MR. LEARMONTH: That you remember.

MS. DUNDERDALE: I'm telling you I don't know.

MR. LEARMONTH: No, but you said before that –

MS. DUNDERDALE: I don't remember.

MR. LEARMONTH: You don't remember.

MS. DUNDERDALE: You know, I can tell you, no, Mr. Learmonth, you know, but it's just in the back of my mind that there was so much information coming at me all the time that I do not – Commissioner, I do not want to mislead this Commission in any way whatsoever. And if there's the slightest possibility that I could have known or somebody could have told me, I want you to know that, Sir. But I can't swear to it one way or the other.

MR. LEARMONTH: Yeah, you can't remember.

MS. DUNDERDALE: So I might've assumed that it was already in there, that whatever was done in DG2 was being done in DG3.

MR. LEARMONTH: Yeah, you just don't have a recollection one way or the other.

MS. DUNDERDALE: I really don't, Mr. Learmonth.

MR. LEARMONTH: Well, would it be your expectation that your chief of staff would've told you that the risk assessment has been pulled from the scope of work of MHI?

MS. DUNDERDALE: No, Mr. Learmonth, because I don't know how he approached the importance of risk being included in the analysis. That requires me to know his mind and how he saw the project or how he saw risk.

You know, I can tell you –

MR. LEARMONTH: Well, he's your chief of –

MS. DUNDERDALE: – in the many, many discussions we had with hundreds and hundreds of people inside government and outside government, even in the House of Assembly, in terms of, you know, there wasn't a whole lot of times in being questioned or queried around risk and how much risk was in there and so on.

Yeah, I remember some discussion of it in the House of Assembly in terms of how much risk was included and how it was identified, how it was mitigated and how much was being brought forward in funds to deal with what we'll call now, contingent risk. And I don't even remember there a discussion around strategic risk. I just don't remember it. I – if I had to say, I would say it didn't happen or it happened rarely.

MR. LEARMONTH: It didn't happen or it happened rarely if it did happen. Yeah.

MS. DUNDERDALE: I had talked – we talked about contingent risk –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – all the time.

MR. LEARMONTH: Mmm.

MS. DUNDERDALE: But I don't know that we talked about any other kind of risk.

MR. LEARMONTH: Yeah. But, you see, with the direction – or with removing from the scope of work of MHI the requirement that MHI do a strategic risk assessment, no one ever did a review of Nalcor's risk assessment before sanction. Does that concern you?

MS. DUNDERDALE: On contingent risk?

MR. LEARMONTH: On all risks.

MS. DUNDERDALE: Well, contingent risk is what I knew.

MR. LEARMONTH: No, but on all risks.

MS. DUNDERDALE: Well, I thought it was done on all risks.

MR. LEARMONTH: But it wasn't.

MS. DUNDERDALE: But that's fine for you. You're asking me what I thought –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – at the time and I'm telling you what I thought –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – within the confines of what I knew.

MR. LEARMONTH: All right. Okay, now that you know that, that a strategic – that MHI didn't do a review of strategic risk, is that a matter of concern looking back on it?

MS. DUNDERDALE: Well, we could have easily – yes, because we could have easily rectified it.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: It wasn't a hill we couldn't climb.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And it wouldn't have caused me any concern in terms of what the result was.

MR. LEARMONTH: Well, you don't know what the result was.

MS. DUNDERDALE: Well, no, I don't know what the result was, but if it's around contingent risk and so on, if it was something like that's been talked here at the Commission, 500 million, you know –

MR. LEARMONTH: No, don't think that –

MS. DUNDERDALE: – that wouldn't have concerned me, Mr. Learmonth.

MR. LEARMONTH: Let's not just leave it with the 500 million. There were other risks, too, in addition to the 500 million: The risk considered in the report that I showed you from Westney.

MS. DUNDERDALE: Let –

MR. LEARMONTH: Mr. Martin acknowledged that.

MS. DUNDERDALE: Yeah. Mr. Learmonth–

MR. LEARMONTH: There are other risks.

MS. DUNDERDALE: – let me tell you, whatever risk – whatever we were going to spend, whatever the exposure was, I wanted to know what it was and then we could make a decision on whether or not we could afford this project.

MR. LEARMONTH: Right.

MS. DUNDERDALE: And I wanted to know.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And so I didn't take any measures. Nobody had to put their finger on the scale to make Muskrat Falls look good. There

was lots of money in Muskrat Falls. I mean, in terms of the CPW, not an issue.

So once we got through the CPW, we really had to get to what the real number was before sanction. That was my goal. When Jerome came to the portfolio, he says: You know, I'm not a hundred per cent sure that this is the right move; you know, I think I want to deconstruct this whole Muskrat Falls Project.

And I said to him, you're in the Department of Natural Resources; you're minister. I'm giving you full authority to do exactly that. Take it apart.

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: Question everything. Get whatever reports you want done. Go see whoever you got to speak to. I have – I'm completely comfortable with you doing that.

MR. LEARMONTH: Right.

MS. DUNDERDALE: And then come back to me and tell me what your conclusion is.

So, he had – and I provided the funds that he needed to do that kind of due diligence. So, when they come back to me and tell me everything is okay, I'm pretty certain it's okay.

MR. LEARMONTH: Okay, well, when I mentioned to Mr. Kennedy that – after it was clear that MHI had not done a strategic risk report, I asked him whether he would agree with me that that's alarming. And he said yes.

I take it you don't find it alarming.

MS. DUNDERDALE: I don't find it alarming per se; I wish that they would have included strategic risk – absolutely. But I have to tell you, Mr. Learmonth, I had confidence in Nalcor. And I still have confidence in Nalcor. I'm under oath here; I'm gonna speak the truth.

So somebody is gonna have to show me that, you know, that the contingent risk hasn't been tested, at least within Nalcor. And, you know, contingent risk is included. And they've come to me and told me that risk is mitigated. And I know that I have a scale that I can work with in

my own head in terms of if we have overruns – what they might look like.

And I also have the assurance of what the total benefits are in terms of Nalcor – what we're gonna spend, what we're gonna earn, relatively speaking. And can we afford this project, and can ratepayers afford this project, and can I go forward and say that, as honestly as I'm saying it here today, to the people of the province?

And the answer was yes to all of it.

MR. LEARMONTH: Well, I understood that a couple of times, and that's fine, but I'm saying that you couldn't have confidence that the \$6.2 billion cost estimate at DG3 was fair and accurate unless there had been an assessment done of the risk.

MS. DUNDERDALE: I'm not sure that I agree – it's certainly an omission –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – in MHI's report that I wish wasn't there.

MR. LEARMONTH: It's an omission, yeah.

MS. DUNDERDALE: It is.

MR. LEARMONTH: And it's an important –

MS. DUNDERDALE: But that's –

MR. LEARMONTH: – omission.

MS. DUNDERDALE: – that doesn't undermine my confidence in Nalcor's numbers.

MR. LEARMONTH: Okay.

I just wanna show you a couple more documents on this MHI. That is volume – Exhibit P-00741, volume 2 of your documents, tab 66.

Do you see that?

MS. DUNDERDALE: I'm – I have volume 2, tab 66.

MR. LEARMONTH: Yeah.

THE COMMISSIONER: Tab 66.

MR. LEARMONTH: 00741.

MS. DUNDERDALE: Yes, I have it.

MR. LEARMONTH: Okay.

So this is April – Mr. Bown had been in touch with Paul Wilson, he's at MHI?

MS. DUNDERDALE: Yes.

MR. LEARMONTH: And this is – so this is April the 3rd, so that's on – you met first on April 1, that was Sunday, so that was just a few days later. Then Mr. Wilson sends a draft scope of services and if you look on page 5 of that document. Do you see right at the top? Roman numeral eleven? That's where Mr. Wilson refers to the – proposes that in his scope of – in MHI's scope of work there's going to be a risk analysis review. Yeah. And that was taken out by government.

Do you agree that the reason that was taken out is because Nalcor did not want to have a risk assessment done? Claiming that it couldn't be done within the time frame of June – the deadline that you had set to put this into the House of Assembly?

MS. DUNDERDALE: I can't swear to that, Mr. Learmonth.

MR. LEARMONTH: Well does that – do you have any comment on that? Does that –

MS. DUNDERDALE: No, I don't know.

MR. LEARMONTH: – did you ever hear that?

MS. DUNDERDALE: I wasn't there. I don't know.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: Others who were there can speak to it far more straightforward way than I can. I'm guessing.

MR. LEARMONTH: Yeah.

So that's quite a rush isn't it? To get a report like – of that kind done? You know, a couple of months? If we're going to use your deadline of June?

MS. DUNDERDALE: I don't know if it's quite a rush, Mr. Learmonth, I can't imagine MHI taking it on if they couldn't do it.

MR. LEARMONTH: Yeah.

But it was pared back because they didn't have to do a number of things including the risk assessment.

MS. DUNDERDALE: Yeah, it was pared back after they had accepted the assignment, though, according to this.

MR. LEARMONTH: What do you mean by that?

MS. DUNDERDALE: Well because he – in this document they're talking about the scope of work here.

MR. LEARMONTH: Yeah, that's where they're proposing the work that they're going to do.

MS. DUNDERDALE: Oh, it's the proposal. Okay.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: I can't – I wasn't involved with it, Mr. Learmonth. I can't enlighten you any further than I have.

MR. LEARMONTH: Okay. Now this deadline of June to put the matter into the House of Assembly – and I suggest that that was driven by you or your office. That wasn't driven by Natural Resources?

MS. DUNDERDALE: Yes, absolutely. I would determine to a large degree.

MR. LEARMONTH: Okay. And because I'm referring to Charles Bown's testimony, on page 76 of his transcript of December 5. A question I put to him is, "But why was that such a big rush? Like, why was it important? And we know it was subsequently postponed to the fall but

why pressure to have an early debate on such a big, important project like this?"

Mr. Bown answers, "Mr. Learmonth, that's a – that is a political question. I can't answer what the motivation was. That would be best asked to the premier – or Ms. Dunderdale."

So he deflected it, you know, to you. So I'm gonna ask you to inform me of why that was such an important deadline to meet?

MS. DUNDERDALE: Because around the time we made that decision, Mr. Learmonth and Commissioner, we were expecting to go to sanction, middle-late summer, July, August. And I wanted to have the debate with as much information as we could possibly get to the Members of the House of Assembly. Including the MHI report –

MR. LEARMONTH: Mm-hmm.

MS. DUNDERDALE: – before we went to sanction.

MR. LEARMONTH: Well I know. But I don't understand the reason for this rush.

MS. DUNDERDALE: Because we –

MR. LEARMONTH: You told me that you –

MS. DUNDERDALE: – were gonna go to sanction.

MR. LEARMONTH: But why did you have to go to sanction that early?

MS. DUNDERDALE: Because we had a schedule that was trying to be maintained.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And if we didn't maintain the schedule – now that there were contracts in place, parts had been ordered, things had been done, pre-sanction work had been done – we were going to – risk we were trying to avoid we were going to incur, if the schedule slipped.

MR. LEARMONTH: Mm-hmm. But you authorized work to be done before sanction in order to keep the schedule on track, didn't you?

MS. DUNDERDALE: Yes. But we're back here now in April.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: And whatever – we're driving – at this point in time – towards sanction. So that we can get a full construction year in, get started on this project and not have to deal with unanticipated costs and delays because of the lateness of our onset of construction.

MR. LEARMONTH: Mm-hmm. But you could authorize construction without sanction.

MS. DUNDERDALE: And I did that –

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: – to a large degree.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: But, basically, you know, we were at a place that we were satisfied – remembering terms of MHI, Ziff, all of those kinds of things – we were completely satisfied with the information that we had up to that point. And we were independently testing that information for ourselves, obviously, but also for the public debate that was going on, quite furiously, with a great deal of misinformation being floated about.

So, you know, part of it was also getting as much information as we could in the public arena, so at least people had the facts before them when they were having a discussion around the whole issue of Muskrat Falls, and whether or not it should proceed.

MR. LEARMONTH: What misinformation are you referring to?

MS. DUNDERDALE: The fact that we could replace Holyrood with wind. That natural gas was available to us from the Grand Banks. That was a lot. And so as much as we could, we tried to clarify those issues for everybody who had an

interest so that the debate would be well informed and clear than it was.

MR. LEARMONTH: Mm-hmm. Okay.

Well, I asked Mr. Bown, on page 81 [sp 113] of his December 5 transcript – I said: “Well, I’ll put it another way – you haven’t answered the question – do you agree that it would not be possible to do a thorough review of the cost estimates unless you had a risk review done? Do you agree with that?”

“MR. BOWN: I agree.”

Do you agree?

MS. DUNDERDALE: Mr. Learmonth, I’ve answered that question for you as many ways as I know how.

MR. LEARMONTH: Okay.

MS. DUNDERDALE: I wish that MHI had done the risk analysis.

MR. LEARMONTH: Yeah. And it was an omission for –

MS. DUNDERDALE: And –

MR. LEARMONTH: – them not to have –

MS. DUNDERDALE: And it was –

MR. LEARMONTH: – been instructed to it.

MS. DUNDERDALE: – (inaudible), and it’s too bad that they weren’t able to do that. But I was still satisfied with the information that I was being provided by Nalcor.

MR. LEARMONTH: Yeah, well, how can you be satisfied if the information isn’t complete? I –

MS. DUNDERDALE: Because I have confidence in Nalcor –

MR. LEARMONTH: Oh, okay.

MS. DUNDERDALE: – Mr. Learmonth.

MR. LEARMONTH: Okay.

MS. DUNDERDALE: You know, I had an eight-year experience with them, up to this point, on many issues outside of Muskrat Falls, and I found them to be well informed, experienced, professional and reliable.

MR. LEARMONTH: Mm-hmm. All right.

Did you have any problem with Nalcor participating in the development of the scope of work for MHI, as opposed to government doing it itself?

MS. DUNDERDALE: I – we – I didn't have any reason to take such a suspicious view of Nalcor, Mr. Learmonth, any more than if the Department of Finance was getting a piece of work reviewed, and having the deputy say we had to talk about the scope of work. I wasn't checking up on Nalcor.

MR. LEARMONTH: No.

MS. DUNDERDALE: What we were trying to do was have high-level reviews, more for the people of the province as well as for ourselves, to say that this work has been well done and, you know, from people who have experience in these fields, they find that it meets industry standards. So there's nothing untoward going on here, as is being sometimes accused in the public arena – that this is a solid piece of work and you can rely on the information that you've been provided.

That's what we were trying to achieve. I had no reason – I had no reason to suspect or assume or conclude that Nalcor was doing something that it ought not to be doing or it wasn't doing this work in a proper way. If I had, then I'd had a bigger problem than Muskrat Falls.

MR. LEARMONTH: Mmm, so you just trusted Nalcor a hundred per cent.

MS. DUNDERDALE: I trusted Nalcor in the way – same way that I trusted the Department of Transportation, Newfoundland and Labrador Housing, the Department of Health, the health boards, the school boards, all of the people who worked together on behalf of the people of the province. Unless they give me a reason to do so, I'm gonna treat them with respect and I'm going to take into account that the work they provide

to me – the work that they've been hired to do and tested before they were hired to make sure that they could do it – in as much as anybody can determine that somebody has the skills and the qualifications to do the work.

MR. LEARMONTH: Yeah.

MS. DUNDERDALE: So I wouldn't bring any degree of more suspicion to Nalcor than I would Health and Community Services. Why would I?

MR. LEARMONTH: Well, that's a question – whether you should've or not, that's a question that will have to be determined, not by me, but it will have to be determined.

Because I don't really see that you're picking up the point that government had an oversight role over Nalcor and that there should've been more separation and distance between government and Nalcor in relation to the Muskrat Falls Project.

THE COMMISSIONER: Can we leave this 'til tomorrow, to begin –

MS. DUNDERDALE: (Inaudible.)

THE COMMISSIONER: – tomorrow? It's 4:30 now. I'm mindful of the time. And maybe we can start there tomorrow, Mr. Learmonth and Ms. Dunderdale?

MS. DUNDERDALE: Sure.

THE COMMISSIONER: Okay.

So we're adjourn 'til tomorrow morning, then, at 9:30.

CLERK: All rise.

This Commission of Inquiry is concluded for the day.