



## COMMISSION OF INQUIRY RESPECTING THE MUSKRAT FALLS PROJECT

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Transcript | Phase 1

Volume 28

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*Commissioner: Honourable Justice Richard LeBlanc*

Tuesday

30 October 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:** Good morning.

Mr. Learmonth.

**MR. LEARMONTH:** There's a matter I wanted to bring to your attention – attention of counsel: Yesterday there was some discussion about missing documents and so on, and missing versions of the draft reports.

Now, we checked the records and what we did find is that there is an unmarked up – if you look at tab 50, that was a draft report that had been redlined, and what we found is there is a version of it before it was redlined. So it's not – if you read tab 50 you can see –

**MS. O'BRIEN:** (Inaudible.)

**MR. LEARMONTH:** What?

**MS. O'BRIEN:** P-00773, just (inaudible).

**MR. LEARMONTH:** P –

**MS. O'BRIEN:** 00773?

**MR. LEARMONTH:** 00773.

And if you ignore the markups, that's what this document is to the best of my knowledge. So there's only one missing document and I'd like to enter it into evidence. And other counsel can check to verify what I'm saying is correct.

And I'd like to enter it as Exhibit P-00873.

**THE COMMISSIONER:** All right.

My – just to confirm my understanding from yesterday was that there was an indication that there were six or something like that additional reports. I'm assuming we –

**MR. RALPH:** I don't think additional would be the right word, Sir.

**THE COMMISSIONER:** Okay, so – but – so am I to understand then, the only report that was not disclosed was basically an un-redacted or an unvaried form of what was P-00773?

**MR. LEARMONTH:** That is the information I have, which I believe to be correct.

**THE COMMISSIONER:** Okay.

So I know you were in discussions this morning with MHI counsel and, I'm assuming, with the Crown. So is everybody fine with this now or ...

**MS. VAN IDERSTINE:** My challenge, Mr. Commissioner, is that I don't think I've got full access to the system to check and search that. And since these disclosures are not from MHI – which, as you've heard, had not a very robust document management system at the time – it's hard for me to know what that answer is.

I've spoken with Mr. Ralph and he has identified the dates of the ones that he thinks that their disclosure identified. And I'll try and check them against that and see where we go with that, but I don't know what else to say.

**THE COMMISSIONER:** Right. Okay.

You know, I know that there was some effort yesterday afternoon to – as soon as this was raised, some of our people upstairs were working on this. So I know there was quite a bit of effort made over a quick period of time to do this, so I'm hopeful that this will respond to the issue.

And you know, Ms. Van Iderstine, if there is an issue that arises from this, I'll certainly be prepared to hear from you on that at some point in time if we need to deal with it.

**MS. VAN IDERSTINE:** Thank you.

**THE COMMISSIONER:** Did you want to add anything, Mr. Ralph?

**MR. RALPH:** Commissioner, I understand Mr. Learmonth said yesterday that there was – they had three drafts, but I don't – and perhaps there was some confusion, but I think that's what he said during examination of the witnesses. And I understand this morning, in fact they had five

that were exhibited and they found an additional one. And that's my count as well. I found six drafts.

**THE COMMISSIONER:** Okay.

So I think that – by the sounds of it, I think we've got it straightened out. But, again, Ms. Van Iderstine, if there's any issue, you can certainly let us know.

All right, so that 00873 will be marked as a new exhibit. And I did check and there are now six versions of the report.

All right so, gentlemen, you remain under oath this morning and cross-examination will continue.

Mr. Simmons.

**MR. SIMMONS:** I think someone turned off the microphone.

Thank you.

**CLERK:** There you go.

**MR. SIMMONS:** Thank you, Commissioner.

Good morning, gentlemen.

**MR. WILSON:** Good morning.

**MR. SIMMONS:** Yesterday afternoon we had talked about some of the organization for how the review was carried out leading up to the report that was delivered in October of 2012. I have another follow-up question related to that for you, Mr. Kast, because I understand your assigned role was the financial analysis.

You told us yesterday some of your background in the utility industry in this particular area, and I'm wondering: Can you tell me how much background you have in the preparation of cumulative present worth or CPW analysis for utility purposes?

**MR. KAST:** Well, over my – excuse me, over my career I've had various exposures to it – one minute – and it didn't always come in the form of cumulative present worth, but just present

worth analysis and so on. But in various positions, let me try to recall.

For example, in terms of premises, you want to decide whether you're going to build a new office building or whether you're going to lease space. Or new billing systems; are you going to install your own billing system, develop it from scratch with all the – from the ground up with all the work that needs to be done? Or could you purchase a new billing system off the shelf or could you lease space on a billing system and so on?

So what you're doing in that – in those cases is you're looking at the costs that are going forward and then escalate them back and compare the two and say, well, okay, on balance these have some issues, but this is really the best financial option, for example. The financial doesn't necessarily address everything, so there could be some soft issues that a person has to take into account, whatever they might be. It depends on the circumstance.

But from a financial perspective, what you're going to do – try and do the best you can in terms of what the impact is going to be on, for example, the customer, in my case. That was basically what we were chasing after. So if I was working for the utility board, I was looking at it from that perspective; if I was working for Century Gas, Ontario Hydro, it was always that perspective.

**MR. SIMMONS:** Okay.

And the gentleman who was working for you, who was more hands on with this work in this review – I'm going to get his name wrong –

**MR. KAST:** Mmm.

**MR. SIMMONS:** – Mr. Holocan?

**MR. KAST:** Rick Horocholyn.

**MR. SIMMONS:** Horocholyn.

**MR. KAST:** Yes.

**MR. SIMMONS:** And what kind of background and experience did Mr. Horocholyn have?

**MR. KAST:** Well, he was similar to me, but he was very much deeper and more focused in terms of CPWs and all the technical aspects that surround – when you start talking about discounted values and so on, and all the mechanics of how that should work and the ingredients and so on.

So we made a great team because I brought more of the management side to bear in terms of what we're doing, what we're testing, where we're going, and he would bring the – if you like, I call it the mechanical side, to bear. So between the two of us, he was more aggressive in the sense of, well, we got to do this, we got to do that, and I'm saying, well, hang on, you know, this – let's just try and put this into perspective in terms of where we're going, that type of thing.

**MR. SIMMONS:** Okay.

Did – in Mr. Horocholyn's background, had he worked actually doing this type of analysis for a utility before? Did he have that in his background? Or how did he come to be familiar, to your knowledge, about this CPW work?

**MR. KAST:** Well, now, I have to be careful there because it's subject to check.

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** But he definitely had the background. That's – it was his skill set and he was – to say it in the politest way, he was promoted in the organization to a level that he best suited. And – because he was aggressive in what he did and he was numbers driven and so on, as opposed to I want to put a bit of the finer point on it in terms of management as well. And so he did a great job, but it doesn't mean just because he wasn't senior management he didn't do a good job, is what I'm trying to say.

**MR. SIMMONS:** Right. Good.

I had another, kind of, a background question, more about MHI and the type of work it did. So maybe I'll start with you again, Mr. Wilson.

Was this the first time MHI had been tasked to come in and do a review of someone else's work on a project?

**MR. WILSON:** No, it's not. MHI operated in many countries around the world working for utility clients in Africa, Asia, and part of the engagements are reviews – financial reviews, financial modelling, options analysis. These are typically types of projects that MHI is engaged in.

**MR. SIMMONS:** Okay.

And had you personally been involved in managing reviews like the one you were called upon to do for the Government of Newfoundland and Labrador here before?

**MR. WILSON:** Personally not myself. I had been involved in the HCB in Mozambique.

**MR. SIMMONS:** Sorry, in what?

**MR. WILSON:** HCB is a – Cahora Bassa –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – is an HVDC and a large dam in Mozambique, so I had participated on that project. This was the first time I assembled a team dedicated to execute a project like this.

**MR. SIMMONS:** Yes.

**MR. WILSON:** That's why I called my colleagues in with – who have that experience.

**MR. SIMMONS:** Okay.

Okay, I have some questions for you now about the scope of work that was assigned by the Government of Newfoundland and Labrador and that MHI agreed to do. And just as, kind of, a tool to lead us through that, I'd like to go to Exhibit P-00770, please.

And in particular, we can go to – well, first let's start with – just here on page 1 of that document, we scroll down a little bit please. It's a letter of June 5, 2012. It's to Mr. Charles Bown, and it –

**THE COMMISSIONER:** Tab 47.

**MR. SIMMONS:** Oh, I'm sorry, yes.

And it's from you, Mr. Wilson, and it says enclosed is a "copy of the Agreement between

MHI and Department of Natural Resources with signatures as requested.” So this document has the final agreement with government for the scope of work that MHI was to carry out, does it?

**MR. WILSON:** Yeah, that’s correct.

**MR. SIMMONS:** Yes, okay.

And if you turn over to page 9. Here on page – from page 9 to page 11, there is a number of different specific areas of inquiry described here, but the first paragraph on the top starts out: “The review will focus on the reasonableness of existing engineering or financial documents used in the development of the CPW analysis including design documents, design studies, material and equipment specifications, cost estimates and schedules “ The last sentence of that paragraph says: “The technical assessment will focus on the following areas that are generally used as inputs into the CPW analysis.”

Now, I heard, gentlemen, you say yesterday that much of the focus of your work was going to be on the inputs into the CPW analysis. So is that what we see reflected here in the focus areas that follow? And we’ll go to them in a little bit of detail in a minute.

**MR. WILSON:** Yeah, that’s correct. These are the areas we felt were revised since DG2, going to DG3.

**MR. SIMMONS:** Yes. Okay.

**MR. WILSON:** So this would be the areas of interest for us in preparing or examining as inputs into the CP analysis.

**MR. SIMMONS:** So what was the significance in looking at areas that were revised since the DG2, which I think is what you were looking at when you did the work for the Public Utilities Board? Is that correct?

**MR. WILSON:** That’s correct. Yeah.

**MR. SIMMONS:** Yeah. So what was the significance in focusing this review on the things that had changed since DG2?

**MR. WILSON:** Well, it’s exactly just what you said: that these are the things that have changed –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – since the DG2 review, so there’s new work done, new capital cost estimates been revised, the load forecasts would be revised, because now it is two years farther down the road.

**MR. SIMMONS:** Okay.

**MR. WILSON:** Okay.

**MR. SIMMONS:** So in – we spoke, yesterday, about how you set up the team to do the work for the Government of Newfoundland and Labrador. Was that similar or dissimilar to the way MHI had approached organizing the work that it did for the Public Utilities Board before?

**MR. WILSON:** In terms of staffing?

**MR. SIMMONS:** Staffing – the way staffing was structured, people were brought in and assigned to specific tasks and (inaudible) –

**MR. WILSON:** It was – yeah, essentially the same. You know, there’s – different individuals with different expertise were required on some of these areas.

**MR. SIMMONS:** Yes.

**MR. WILSON:** And they were brought in on the team as well.

**MR. SIMMONS:** Right.

**MR. WILSON:** Centrally, it was myself, Mack Kast and Mr. Snyder.

**MR. SIMMONS:** Okay.

**MR. WILSON:** Okay.

**MR. SIMMONS:** So was knowledge that had been gained by you from the work for the PUB, was that carried forward into the work that you now did for Government of Newfoundland and Labrador?

**MR. WILSON:** Well, absolutely. Yes. Yeah.

**MR. SIMMONS:** Okay.

So item number i there is: "Review of Load Forecast Update," and it describes, then, information required and what the outcomes were going to be. And am I correct that this work was assigned to Mr. Craig Kellas?

**MR. WILSON:** That's correct, yes.

**MR. SIMMONS:** Yeah.

And so was Mr. Kellas reporting to you, Mr. Snyder?

**MR. SNYDER:** Yes, he was. Yes, he was.

**MR. SIMMONS:** Okay.

And what kind of – I'll ask you, Mr. Snyder – what kind of background did Mr. Kellas have in load forecasting in order to give him the expertise to do this analysis.

**MR. SNYDER:** Craig Kellas had about 25 years of experience with load forecasting for Manitoba Hydro.

**MR. SIMMONS:** Yes. Okay.

So he had been a Manitoba Hydro employee who had been performing load forecasts for Manitoba Hydro –?

**MR. SNYDER:** That's correct.

**MR. SIMMONS:** Okay.

Did Mr. Kellas – and how did Mr. Kellas go about performing his work then?

**MR. SNYDER:** Mr. Kellas worked with the people at Nalcor, taking a look at the various components of the load forecast.

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** So the residential component, which makes up about 50 per cent of the load in the province of Newfoundland and Labrador; and industrial component, of which there's only four major industrial customers in the province;

and with the third sector – well, there's another sector – and the third sector is related to your light industrial or shopping centres, hotels ...

**MR. SIMMONS:** Yeah.

So did Mr. Kellas travel to Newfoundland – to St. John's – in order to –

**MR. SNYDER:** Yes, he did.

**MR. SIMMONS:** – conduct his work? Yeah.

Did he meet with counter parts in Newfoundland and Labrador Hydro –

**MR. SNYDER:** Yes, he did.

**MR. SIMMONS:** – in order to do that?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Did Mr. Kellas report back to you any type of concern about access to the documentation he needed, the information he needed or the co-operation that he got from Hydro and Nalcor?

**MR. SNYDER:** No, he got good co-operation. They had some discussions over the load forecast, because Mr. Kellas was of the opinion that they were low in their forecasts, they were conservative, because of the fact that they didn't see any new industrial load in the next 57 years, which is odd, and on the customer side, on the residential side, saw that there was a slight underestimate of about one per cent per year.

**MR. SIMMONS:** Can we take a look, please, at Exhibit P-00058?

**UNIDENTIFIED MALE SPEAKER:** What tab is that?

**MR. SIMMONS:** Good question. I'm not sure if it's in your book. This is the October 2012 report to – issued to government.

**THE COMMISSIONER:** Just one second now, we'll try to find the tab number here now.

**MR. SIMMONS:** Unfortunately, I don't have a cross-reference, gentlemen, between the tab numbers and the exhibit numbers.

**MR. WILSON:** On the screen.

**MR. SIMMONS:** Okay, there you go. And this is the report –

**THE COMMISSIONER:** What tab is it?

**MR. SIMMONS:** – that you submitted.

**MR. WILSON:** It's on the screen for me.

**THE COMMISSIONER:** Okay. I'd like to get the tab number.

**MR. SIMMONS:** Yes.

**THE COMMISSIONER:** So can we find out what tab number 00058 is –?

**MR. SIMMONS:** Sixty-four, tab 64, perhaps.

**THE COMMISSIONER:** Yeah.

**MR. SIMMONS:** And I'm just going to bring you to page 62, please.

Section 3 is the Isolated Island Option and 3.1 is the Load Forecast. And on this page at the bottom on 62, there's a heading: 3.1.3 Summary. And you might take a look at that for a moment, but I take that to be the summary report on the analysis of the load forecast.

**MR. SNYDER:** That's correct.

**MR. SIMMONS:** And we don't need to read through it because you've already identified that the view that was expressed by Mr. Kellas was that in a couple of aspects he thought the load forecast was low.

**MR. SNYDER:** That's correct.

**MR. SIMMONS:** And that's what was communicated in this report to government, I believe, as well –

**MR. SNYDER:** Yes.

**MR. SIMMONS:** – was it? Okay.

So just about the mechanics of how that got reported up. How did Mr. Kellas report that up to you? Did he draft something to go in the final

report? Did he give you a separate memo? Did he meet with you in person?

**MR. SNYDER:** He met with me in person.

**MR. SIMMONS:** Yes.

**MR. SNYDER:** And we had a review of it and, you know, ensured that it was reasonable, but that, you know, there was a little – there was room for potentially additional load over this next 57 years.

**MR. SIMMONS:** So do I take it, then, that although Mr. Kellas was your expert in the area, he reported his findings up to you and the two of you had an opportunity to discuss it so that you could assess what he was reporting?

**MR. SNYDER:** Yes, that's true.

**MR. SIMMONS:** Okay. And then how did that then find its way into the final report?

**MR. SNYDER:** Craig drafted a summary –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – this particular summary, and then I reviewed it –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – and it was forwarded to Paul for putting together in the final report.

**MR. SIMMONS:** Okay. And Mr. Wilson, what did you do then once it was forwarded to you?

**MR. WILSON:** Once these various component parts were forwarded to me –

**MR. SIMMONS:** Mmm.

**MR. WILSON:** – I assembled it into these draft reports. Eventually they were proofread and then I would read them and then they would go, I guess, to Charles Bown, you know, to demonstrate progress and to keep him apprised of what we were doing.

**MR. SIMMONS:** Okay.

So other than the opinion that in a couple of areas the load forecast was low, were there any concerns or problems identified with the way that Nalcor and Newfoundland and Labrador Hydro were doing their load forecasting from the work that was undertaken in this review?

**MR. SNYDER:** No, there was, you know, he – Craig thought that the people were educated, knew what they were doing –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – and the only problem he had with the load-forecasting group and Nalcor was it was pretty thin –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – and if something happened to one or two of those people, there wasn't much backup.

**MR. SIMMONS:** Mm-hmm. So there needed to be some succession planning, probably?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Okay.

All right, let's go back, please, to P-00770. And we can just scroll down a bit so we can see item number Roman numeral II there. So this is back to the scope of work that was given to MHI by the government.

And item number (ii) here is: "Review of the AC integration studies completed for the Muskrat Falls and LIL" – which is Labrador-Island Link – "HVdc configuration options to establish the reasonableness of their use as DG3 cost inputs."

And my first question is: Was the AC integration studies something that was identified as a gap when you did the work for the Public Utilities Board earlier?

**MR. WILSON:** (Inaudible.)

**MR. SNYDER:** Yes, it was.

**MR. SIMMONS:** Okay, well – Mr. Wilson, you were gonna answer first.

**MR. WILSON:** Yeah, I'm in agreement, there was a gap.

**MR. SIMMONS:** Okay. Can someone tell me a bit more about what the nature of the issue was when the work was done for the PUB about the problem with there being a gap in the AC integration studies? Sure.

**MR. WILSON:** If memory serves, I believe they weren't done fully with the configurations that were anticipated for Muskrat Falls, particularly around the HVDC system. So this was an area that we felt at the time could be explored more –

**MR. SIMMONS:** Okay.

**MR. WILSON:** – because there could be additional costs that could come out of that to address system issues.

**MR. SIMMONS:** Right. So do I gather then that the technical work of the design for the AC integration from the – I guess this relates to getting the power from the DC line into the conventional AC distribution system.

**MR. WILSON:** That's correct.

**MR. SIMMONS:** Am I on the right track?

**MR. WILSON:** That's correct, yeah.

**MR. SIMMONS:** Okay, and that – do I understand then that the technical engineering work wasn't advanced far enough; that at the time you needed the report for the PUB, you couldn't tell, but there might be cost implications that hadn't been accounted for.

**MR. WILSON:** I don't want to say that there was none done, but –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – some was done – it requires an update as well.

**MR. SIMMONS:** Yeah, okay.

So how then was – did you undertake – looking at this term of reference, this scope item for AC integration studies, when the work was



undertaken for GNL. First of all, who was assigned to do this part of the work?

**MR. WILSON:** I assigned, in consultation with Al Snyder, two individuals –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – who were Manitoba Hydro employees at the time.

**MR. SIMMONS:** Yes.

**MR. WILSON:** One was Dr. David Jacobson –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – who is a, like – I can't recall his position exactly. And Mr. Pei Wang who was an HVDC systems integration, controls engineer.

**MR. SIMMONS:** And Mr. Wang, was he with Manitoba Hydro?

**MR. WILSON:** He was, yes.

**MR. SIMMONS:** Yeah.

Does Manitoba Hydro operate very many DC lines?

**MR. WILSON:** (Inaudible.)

**MR. SNYDER:** Yes, we operate two.

**MR. SIMMONS:** Yes. And have they been in operation for some time?

**MR. SNYDER:** 1971.

**MR. SIMMONS:** And so if we were to look to the utility industries in Canada, how would Manitoba Hydro's experience with DC lines compare to other utilities?

**MR. SNYDER:** Well, for many years, we at Manitoba Hydro International entertained customers from across the world –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – to look at our HVDC system and, you know, so I would say that we would be

the first in Canada, at least, with that size of transmission, 500 kV.

**MR. SIMMONS:** So I'll ask you, Mr. Snyder, then: So were you satisfied with the expertise that Dr. Jacobson and Mr. Wang brought to this part of the review?

**MR. SNYDER:** Yes, they're both very competent individuals.

**MR. SIMMONS:** Okay.

So then – and either of you can – either Mr. Wilson or Mr. Snyder – how did Mr. Jacobson and Mr. Wang undertake the review of the AC integration studies? What –

**MR. SNYDER:** They worked with the people in their department here at Nalcor.

**MR. SIMMONS:** Mm-hmm. Okay.

Did they travel to St. John's to do that?

**MR. SNYDER:** Yes, they did.

**MR. SIMMONS:** Okay.

Was there – were there any concerns reported back to you by either Dr. Jacobson or Mr. Wang about any lack of access to information, documentation or cooperation from Nalcor or Hydro?

**MR. SNYDER:** (Inaudible) there was not.

**MR. SIMMONS:** Okay.

Exhibit 00770, please, which is the final report submitted to government, page 36.

**THE COMMISSIONER:** That might be 00058 –

**UNIDENTIFIED MALE SPEAKER:** Yeah.

**THE COMMISSIONER:** – is it?

**MR. SIMMONS:** Fifty-eight, P-00058.

**MR. KAST:** Oh, it's this one.

**MR. SIMMONS:** And that's – I forget, is that tab 42?

**THE COMMISSIONER:** Sixty-four.

**MR. SIMMONS:** Sixty-four.

**THE COMMISSIONER:** But it's only the front page.

**MR. SIMMONS:** Oh –

**THE COMMISSIONER:** (Inaudible.)

**MR. SIMMONS:** – it was a guess.

**UNIDENTIFIED MALE SPEAKER:**  
(Inaudible) go back.

**MR. SIMMONS:** Thirty-six, please. And if you scroll down, okay, you can stop there, please.

Now, you may have the paper copy there. I think this is the section that deals with the review of the AC integration, and it runs on for some 10 or more pages and appears to include a review of different – several different studies that had been conducted by SNC-Lavalin into the AC integration.

Does that sound familiar, Mr. Snyder?

**MR. SNYDER:** Yes, it does.

**MR. SIMMONS:** Okay.

And there is a conclusion presented at the end of that section here, on the bottom of this page.

It says: "The result of the six studies conducted by SNC Lavalin for ac integration demonstrates that Nalcor is in compliance with good utility practice. There is an opportunity during detailed design to optimize final configurations that may enhance the system reliability."

So Mr. Snyder, how did the work of Mr. Jacobson and Mr. Wang get reported up to you and then how did it find its way into this final report?

**MR. SNYDER:** Very similar fashion to what was done with the load forecasting. These two gentlemen did the work, worked with the people

from Nalcor, put together this section of the report, brought it forward, explained it to me in terms of what their findings were, and I may have corrected some of the English in it, if you will, but not the technical matter.

**MR. SIMMONS:** Mm-hmm. Okay.

So this section of the report that deals with the AC integration, who wrote the first draft of that?

**MR. SNYDER:** Probably Dave Jacobson.

**MR. SIMMONS:** Okay.

And similar to our discussion before, was that then passed on to Mr. Wilson?

**MR. SNYDER:** Yes, it was.

**MR. SIMMONS:** Mr. Wilson, did you take that and incorporate that into the draft of the complete report?

**MR. WILSON:** Yes, I did.

**MR. SIMMONS:** Mr. Snyder, in your view, would it have been practical for Mr. Jacobson and Mr. Wang to undertake this work without having direct contact to people at Nalcor?

**MR. SNYDER:** No.

**MR. SIMMONS:** Why not?

**MR. SNYDER:** Because they didn't – would not have had the studies to look into, the SNC-Lavalin report, they wouldn't have had conversations with the people to know exactly what the component parts were, and how the studies were – had been conducted.

**MR. SIMMONS:** Okay.

Back to Exhibit P-00770 please. Scroll down so we can see item number iii.

So the third scope item is "review of the Muskrat Falls GS post DG2 design changes." And GS, I think, is probably generating station?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Okay.

“Post DG2 design changes, cost estimates, and construction schedules to determine their reasonableness as inputs to the CPW analysis.”

So can you tell me a little more about what this scope was in relation to that last phrase, “as inputs to the CPW analysis,” and that – how that might differ, if any, from another way to look at these items?

**MR. SNYDER:** No. Mr. Tom Moffat was the person assigned the responsibility to, again, work with people from Nalcor –

**MR. SIMMONS:** Yeah.

**MR. SNYDER:** – to be able to gain the information that he needed to see what changes had been made, and there were substantial changes between DG2 and DG3.

**MR. SIMMONS:** Yes.

**MR. SNYDER:** And so they were reviewed with Mr. Moffat, and also the cost component of that was reviewed by Mr. Moffat, and he then crafted this report that was reviewed by me and then –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – passed on to Mr. Wilson in the same fashion as the other two had been.

**MR. SIMMONS:** Okay.

And did Mr. Moffat travel to Newfoundland – to St. John’s to meet with people at Nalcor in order to carry out his work?

**MR. SNYDER:** Yes, he did.

**MR. SIMMONS:** Okay.

Did Mr. Moffat report back to you any concerns about access to documentation, information or the general co-operation provided to him by Nalcor?

**MR. SNYDER:** He had good co-operation that was – there was – design was not totally complete at that stage. The river excavation was not totally complete at that stage either. So the fractured rock that was discovered at a latter

time, he knew that that was still under investigation, so you know, I would say full disclosure was made to him of the current state of affairs at this particular point in time in 2012.

**MR. SIMMONS:** Okay.

Did he report back to you any concerns about access to the cost estimates?

**MR. SNYDER:** No.

**MR. SIMMONS:** What about to access to construction schedules?

**MR. SNYDER:** No. He knew that the construction schedule was going to be tight.

**MR. SIMMONS:** Yes.

**MR. SNYDER:** And you know, that was expressed in his comments to me that it was going to be tight. They’d have to get – and that was, again, without the knowledge of what the substructure conditions were.

**MR. SIMMONS:** Right.

**MR. SNYDER:** So –

**MR. SIMMONS:** Yeah.

So the substructure conditions you refer to, that’s actually the rock in the bed under the river –

**MR. SNYDER:** Yes.

**MR. SIMMONS:** – which had not yet been exposed?

**MR. SNYDER:** That’s correct.

**MR. SIMMONS:** Okay.

So Mr. Moffat, he – would he have gone into this work and gone to St. John’s and met people with a clear understanding of what his mandate was – to look into design changes, cost estimates and construction schedules as set out in the scope of work?

**MR. SNYDER:** Yes, he would. He was a knowledgeable individual who had done the

same work on some of the Nelson River projects.

**MR. SIMMONS:** Okay.

Now Mr. Proteau, did he play any role in discharging this scope of work here in item number iii –

**MR. SNYDER:** No, I don't –

**MR. SIMMONS:** – or was he in a different area?

**MR. SNYDER:** – believe so.

**MR. SIMMONS:** In a different area?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Okay.

All right, let's scroll down to item number iv, then. This one is "review of the HVdc Converter Stations and associated AC switchyards," and again, it says "to determine their reasonableness as inputs to the CPW analysis."

Who carried out this work?

**MR. WILSON:** That would've been Mr. Les Recksiedler –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – who is a staff member of Manitoba Hydro International.

**MR. SIMMONS:** Okay.

And what's Mr. Recksiedler's background and expertise?

**MR. WILSON:** Mr. Les Recksiedler's an HVDC converter stations engineer, had worked –

**UNIDENTIFIED MALE SPEAKER:** Twenty-five years.

**MR. WILSON:** – 25 years in the HVDC system –

**MR. SIMMONS:** Mm-hmm.

**MR. WILSON:** – in the capacity of engineering.

**MR. SIMMONS:** Okay.

And like the others, did he travel to St. John's, meet with counterparts in order to gain the information he needed to carry out his work?

**MR. WILSON:** Yes, he did.

**MR. SIMMONS:** Okay.

And would he have been aware of what the scope was that was assigned to him as it's set out here in Exhibit 00770?

**MR. WILSON:** I believe so, yes.

**MR. SIMMONS:** Okay.

Did he report back to you any concerns about – or to either of you – any concerns about access to documentation, information or the co-operation from Nalcor?

**MR. WILSON:** I believe he had good co-operation, but they – he had trouble getting access to documents, because, I believe, some of these documents just weren't available at the time.

**MR. SIMMONS:** Okay.

And can you tell me something more about that? What sort of documents was he looking for that weren't available at the time?

**MR. WILSON:** Well, he was looking for detailed cost estimates, schematic diagrams, design-basis documents, you know, schedules of build out, and all that was available to him was a mini-spec, apparently.

**MR. SIMMONS:** Okay.

And did he report to you anything about why those things weren't available – as to either – they could be unavailable because they wouldn't be given to him for some reason or because they weren't yet complete?

**MR. WILSON:** I don't recall. Likely because they weren't yet complete.

**MR. SIMMONS:** Mm-hmm. Okay.

And was Mr. Recksiedler reporting to you, Mr. Wilson, or to Mr. Snyder as part of his work?

**MR. WILSON:** Mr. Snyder.

**MR. SNYDER:** He reported to me, but as I noted yesterday, my background was civil engineering and –

**MR. SIMMONS:** Yes.

**MR. SNYDER:** – Paul was electrical. So ...

**MR. SIMMONS:** Okay.

So on this issue of whether more detailed information should've been made available, is that, Mr. Wilson, something that you then engaged in? Is – did you get involved in that, to make sure that Mr. Recksiedler received everything that he needed?

**MR. WILSON:** I believe I recall having, I think, a meeting or a discussion with Charles Bown about availability of documents.

**MR. SIMMONS:** Mm-hmm.

**MR. WILSON:** And you know, there was discussions about how deep that MHI is going to go into this review –

**MR. SIMMONS:** Mm-hmm.

**MR. WILSON:** – types of documents available.

**MR. SIMMONS:** Mm-hmm.

**MR. WILSON:** And the scope was drafted in such a way that documents were being, you know, reviewed across the table, you know, with us brought to the meetings.

**MR. SIMMONS:** Mm-hmm.

**MR. WILSON:** But no new documents would be prepared, you know, in preparation of our meetings. So what's available is what's available, right?

**MR. SIMMONS:** So Mr. Recksiedler's work was – it was confined to the converter stations

and the AC switchyards. And it was in the context of that work that he reported this issue back to you, was it?

**MR. WILSON:** That's correct. It's the grounding electrode, I believe. It was included in his as well.

**MR. SIMMONS:** Yeah.

And do you know if that – how that ever got resolved, if it ever got resolved? And how did that work out in the end?

**MR. WILSON:** Well, Les still had to do his – you know, assess the reasonableness or some sort.

**MR. SIMMONS:** Mm-hmm.

**MR. WILSON:** You know, costs were provided to him in the form of, you know, cost estimates of – I think three bids or three costs were collected from potential OEM suppliers.

**MR. SIMMONS:** Mm-hmm.

**MR. WILSON:** They took the two highest and averaged those and that's basically what they were using in the CPW analysis for a cost placement.

**MR. SIMMONS:** Okay.

**MR. WILSON:** So Les would examine that against his knowledge and costs of what he had at Manitoba Hydro when he did his work there.

**MR. SIMMONS:** Okay, so if we can go, please, to Exhibit P-00058 which is the report, and page 41 – and, actually, page 40. Scroll up a little bit. Down please. You can stop there.

So this is the section of the report that's dealing with HVDC converter stations, and there's a bullet at the bottom of the page there and the paragraph reads: "The cost estimates for the synchronous condensers appear low when compared to other projects in Canada; however Nalcor has secured these costs directly from manufacturers. The cost estimates are within the bands of cost estimate variability for an AACE Class 3 estimate range."

So was the synchronous condensers the area where Mr. – I'll get his name wrong – Recksiedler –

**MR. WILSON:** Recksiedler.

**MR. SIMMONS:** – had the concern about access to cost information?

**MR. WILSON:** Well, that would be one of them, but it would be overall – an overall converter station cost.

**MR. SIMMONS:** Right.

And – but this is the final report, so you did end up reporting that those cost estimates did appear low. So that information was passed on to your client, to Government of Newfoundland and Labrador. Correct?

**MR. WILSON:** Yes. Yes.

**MR. SIMMONS:** In the end, was Mr. Recksiedler satisfied that the information that he had assessed was suitable for inclusion in the CPW analysis, which was the scope item?

**MR. WILSON:** That is the basic conclusion that he's come to here.

**MR. SIMMONS:** Okay. And did you disagree with that?

**MR. WILSON:** At the time, no. No, I don't disagree.

**MR. SIMMONS:** 00770 again, please, item number 5. Scroll down there. Okay, stop there.

So, item 5 is: "Review of the overhead HVdc transmission line and associated AC collector transmission lines including its reliability design criteria, route details ... final metrology review." And it goes on to provide some more detail there.

So was transmission line reliability an area that had been identified as a gap when the PUB work was done?

**MR. WILSON:** Yes, it was.

**MR. SIMMONS:** So in order, then, to look at the progress from DG2 to DG3, how did MHI go about investigating the reliability design for the HVDC transmission line and – under this scope?

**MR. WILSON:** Yes, we assigned Mr. Gerry Proteau –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – to this section of work –

**MR. SIMMONS:** Yeah.

**MR. WILSON:** – working under Al Snyder.

**MR. SIMMONS:** So, Mr. Snyder, maybe I'll ask you: Can you tell me something about Mr. Proteau's background and experience in order to enable him to carry out this work?

**MR. SNYDER:** Mr. Proteau had had a career, as well, with Manitoba Hydro doing this type of work. And at this particular stage, he was seconded to Manitoba Hydro International. And so it was ideal to look into what the transmission line requirements would be to satisfy –

**MR. SIMMONS:** Mmm.

Had he been involved in the work for the PUB report?

**MR. SNYDER:** Sure.

**MR. WILSON:** No, he was not. Luke Chaput was.

**MR. SNYDER:** Oh, yeah, Luke Chaput was. I'm sorry.

**MR. SIMMONS:** Was the work that had been done in order to prepare the PUB report – were those records and investigations available to Mr. Proteau so he could pick up from DG2 and go on to DG3?

**MR. SNYDER:** Yes, they were.

**MR. SIMMONS:** Okay.

And, like the others, he would have travelled to St. John's and met with counterparts?

**MR. SNYDER:** Yes, he did.

**MR. SIMMONS:** Okay.

Now, there's – you were referred to an email message from Mr. Proteau yesterday and I'll come to that in a moment, but, first of all, I'll ask you this same question.

Did Mr. Proteau, Mr. Snyder, come back to you with any general concerns about his access to documentation, the information – and access to information and the degree of co-operation he was getting from people at Nalcor?

**MR. SNYDER:** No, he did not – oh, I'm sorry.

**MR. WILSON:** Yeah.

**MR. SNYDER:** There was?

**MR. WILSON:** Well, there was that one email where he reported –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – having trouble getting access to documents.

**MR. SIMMONS:** Okay.

**MR. WILSON:** But it appeared to have resolved of itself by the end of the day where he was getting good co-operation.

**MR. SIMMONS:** So I'll go back to you, Mr. Snyder. Were you the person that Mr. Proteau was reporting directly to?

**MR. SNYDER:** He was preparing a report for my review, yes.

**MR. SIMMONS:** Yes. Yes.

So how did the – how did his information on the work he'd done, how did that find its way up through? Did he meet with you and discuss what he'd found?

**MR. SNYDER:** Yes, he met with myself and with Paul.

**MR. SIMMONS:** Yes.

**MR. SNYDER:** Then drafted this report that he has.

**MR. SIMMONS:** Okay.

So he drafted the section that went – found its way into the final report, did he?

**MR. SNYDER:** Yes, he did.

**MR. SIMMONS:** Okay.

And in the course – I'll ask you, Mr. Snyder: In the course of your dealings with Mr. Proteau, did he ever come to you and say Nalcor won't give me the documents I need. I have a problem, I'm not getting co-operation, anything along those lines?

**MR. SNYDER:** No, he did express the one concern that at one stage he was not getting the documentation, but by the end of the day had.

**MR. SIMMONS:** Okay.

Well, let's take a look then at P-00749.

**MR. WILSON:** Okay.

**MR. SIMMONS:** And I don't know which tab that is.

**THE COMMISSIONER:** I'll try to find it here now.

**MR. LEARMONTH:** 00749?

**MR. SIMMONS:** 00749, please.

**UNIDENTIFIED MALE SPEAKER:** Here it is.

**MR. WILSON:** Tab 26?

**UNIDENTIFIED MALE SPEAKER:** Twenty-six, yeah.

**MR. LEARMONTH:** Twenty-six – tab 26.

**MR. SIMMONS:** At tab 26, I'm told.

Okay so this – if we look at the bottom of the first page, this is an email chain. And, Mr. Wilson, near the bottom there's a message from

Gerry Proteau to you on June 7, 2012. So how early in the process of carrying out this work was June 7?

**MR. WILSON:** I – early, I believe. I don't exactly recall if there was others that had come before him.

**MR. SIMMONS:** Okay.

And he reports to you and says: "Paul, I had a pretty good meeting today ...." So was he in St. John's at this point?

**MR. WILSON:** I believe so, yes.

**MR. SIMMONS:** Yeah.

**MR. WILSON:** Yeah.

**MR. SIMMONS:** "... though I think they were at first reluctant to discuss much detail. I'm reviewing some documents tonite as they are reluctant to provide copies.

"From discussions it appears to be very thorough design.

"I have to come back later to review the DG3 cost estimates as they are not complete."

And then the message above that, you reply to him – it looks like it's 10 minutes later – saying, "Thanks Gerry, Paul Harrington and Brian Crawley called me to discuss the cost estimate issue. I believe you should come back with the rest of the team so Carole will contact you about travel the week of the 18<sup>th</sup> when the cost estimates are available."

So first question for you on that is can you recall the discussion you had with Mr. Harrington and Mr. Crawley, aside from what you see in this message?

**MR. WILSON:** No, I don't.

**MR. SIMMONS:** And when you suggested to Mr. Proteau that he should travel again in the week of the 18<sup>th</sup>, was that a second trip back to St. John's, on the 18<sup>th</sup>, so that he could then see the cost estimates?

**MR. WILSON:** Yes – I believe so, yes.

**MR. SIMMONS:** Okay.

And if we go to – up another message on the chain. This is June 8, which is the next day, and Mr. Proteau reports back to you again. The first thing he says is: "I've reviewed their design criteria; it appears well documented and detailed typical of SNC Lavalin's documentation."

So did Mr. Proteau ever report back after this any problems that he was encountering with the design of the transmission lines? Anything that stands out in your mind?

**MR. WILSON:** I'll just – whatever the issues are he reported in the report.

**MR. SIMMONS:** We'd have to look to the report –

**MR. WILSON:** Yeah. Yep.

**MR. SIMMONS:** – to see what was in there. Okay.

He goes on and says: "I think Paul Harrington was rather incensed I want to look at it, but he warmed up a little bit in the afternoon before your conversation with them yesterday."

So did Mr. Proteau report back after this, on June 8, any additional problem with getting access from Mr. Harrington or from anyone else to the documentation he needed?

**MR. WILSON:** I don't recall.

**MR. SIMMONS:** Okay.

And the second paragraph there: "I've reviewed their DG3 Estimate preparation methodology and inputs and I'm satisfied its quite comprehensive." So he was reporting that the methodology and inputs to be used for the estimate were, in his view, comprehensive. And of course, at this point, he hadn't seen the actual estimate itself, correct?

**MR. WILSON:** Correct, yes.

**MR. SIMMONS:** And he says: "The actual numbers and inputs I can look at in my next visit. Same with the schedule." So what can you tell me about what happened at his next visit?



Do you know if he encountered any problems after that?

**MR. WILSON:** Not to my knowledge, no.

**MR. SIMMONS:** Mr. Snyder, are you aware – did he report back to you any problems that he encountered after what’s described in this email?

**MR. SNYDER:** No, he did not.

**MR. SIMMONS:** 00770, please.

**UNIDENTIFIED MALE SPEAKER:**  
(Inaudible.)

**MR. SIMMONS:** Scroll down to paragraph number vi.

**MR. WILSON:** (Inaudible) exhibit number again?

**MR. SIMMONS:** 00770.

**MR. WILSON:** The tab (inaudible) –

**MR. SIMMONS:** Oh, tab.

**UNIDENTIFIED MALE SPEAKER:** Here, we got it.

**MR. SIMMONS:** Might have to write these down.

**UNIDENTIFIED MALE SPEAKER:** It’s right here. We got it. It’s okay.

**MR. SIMMONS:** Okay.

So scope item vi is “Review of the Strait of Bell Isle ... marine crossing.” The acronym is SOBI, S-O-B-I. To assess reasonableness – “cost estimates and construction schedule to assess their reasonableness as inputs to the CPW analysis.”

Who was this work assigned to?

**MR. SNYDER:** Well, I guess Paul and I did it ourselves.

**MR. SIMMONS:** Okay.

Tell me a little more, Mr. Snyder, about how you undertook assessing the Strait of Bell Isle marine crossing.

**MR. SNYDER:** We spoke to the people that were responsible for it at Nalcor.

**MR. SIMMONS:** Okay.

And did you encounter any difficulty getting access to documentation that you wanted or information you wanted or any lack of co-operation?

**MR. SNYDER:** No, we did not.

**MR. SIMMONS:** So who prepared the section of the final report dealing with the SOBI marine crossing?

**MR. SNYDER:** I suspect I did.

**MR. SIMMONS:** Okay. All right.

Scroll down please to item number vi – no, item number vii.

Now, this one is a bit more general. It says: “A review of the other changes made by Nalcor to cost inputs from DG2 to DG3 for both the Isolated Island and Interconnected Island alternatives.”

Mr. Wilson, what can you tell me about how this piece of work was undertaken by MHI?

**MR. WILSON:** I believe that was Rick Horocholyn who actually would take a look at these elements. So these are any general changes –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – identified by Nalcor what they had changed, you know, since DG2 and for consideration in DG3. And that would have been including, like, updated capital cost estimates for some of the smaller generation sites to make them match for the Isolated Island Option, to bring them up to the same level of –

**MR. SIMMONS:** Right.

**MR. WILSON:** – you know, AACE 3 or 4 level.

**MR. SIMMONS:** Mr. Snyder, do you – can you add anything to that description of how the work was undertaken for this scope?

**MR. SNYDER:** No, it was trying to look at all the other components of the two projects –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – and making sure that they had been updated to the current ...

**MR. SIMMONS:** Okay.

So who did Mr. Horocholyn report to about the work under this item?

**MR. WILSON:** In general terms, he reported to Mr. Mack Kast his findings.

**MR. SIMMONS:** Yes.

**MR. WILSON:** If there was gaps on the technical side, he –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – referred that to me and then to Al Snyder.

**MR. SIMMONS:** Okay.

So Mr. Kast, did Mr. Horocholyn report to you having any difficulty getting access to documentation he wanted, information he needed or generally to the co-operation he got from Nalcor in discharging this part of the mandate?

**MR. KAST:** Excuse me.

I cannot recall that there were any issues. We had a very open relationship in terms of discussions and dialogue and so on. And I don't recall that there were any, as I would call them, showstoppers or things that required significant venting, if you like.

**MR. SIMMONS:** We'll look at number – item number viii on Exhibit 00770 there, and this is the last piece of the scope description.

This is “a review of the CPW input changes and results for the DG3 inputs for both the Isolated Island and Interconnected Island alternatives.”

So Mr. Kast, I presume this fell under your jurisdiction.

**MR. KAST:** Well, it did in terms of the specifics, but my colleagues to my left – you know, we're a team, and we're looking at it together, because when you talk about cost inputs, the cost inputs would have come from and been signed off, if you like –

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** – by my colleagues as well.

So it's a team effort.

**MR. SIMMONS:** Okay.

Was part of the review to look at the mechanics of calculating the CPW, how the math was done and whether the math was done correctly?

**MR. KAST:** It was – I would say it was to have a good understanding of what the Strategist model did and how it worked and what the inputs were.

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** It's a computer model that's complicated, if you like, because there are many variables that are at play at the same time. And so it's – and that – to that extent, it's a complex model.

But in terms of everything that went in and what – the results we received on an incremental basis – for example, if we looked at – if we had a result, and we said, okay, let's adjust the, whatever it might be, the fuel cost for example, then let's rerun the model.

It wasn't – it – the model was run by Nalcor –

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** – so it wasn't trivial to say that, it's like I'm going to sit at my laptop and just do it.

So in that sense it was somewhat complex, and so we had to make sure that what we were asking for was valid, made sense in the context of what we were doing and so on so that, the result that we get, we understand if it's going to be – have any significant impact.

**MR. SIMMONS:** Right, had – were you involved in the report that was done for the Public Utilities Board previously?

**MR. KAST:** Yes, I was.

**MR. SIMMONS:** Yes. Okay.

In doing that work, had you, or the people working for you then, looked at and validated the way that Nalcor was preparing CPW analysis using the Strategist modelling –

**MR. KAST:** Yes.

**MR. SIMMONS:** – program?

**MR. KAST:** Most definitely, yes. Yes, it was a follow on DG3 from DG2.

**MR. SIMMONS:** Right, so for this work that was being done for the government, was it necessary to repeat all that work or could you build on the work that had been done before?

**MR. WILSON:** Can I –?

**UNIDENTIFIED MALE SPEAKER:** Go ahead.

**MR. SIMMONS:** Mr. Wilson, certainly.

**MR. WILSON:** I'd like to answer that, you know –

**MR. SIMMONS:** Yeah.

**MR. WILSON:** We had some early discussions when we were developing the scope of work. This is – I recollect this, for sure. The whole exercise for the DG3 analysis was not to revalidate the entire CPW model –

**MR. SIMMONS:** Mm-hmm.

**MR. WILSON:** – right, as we had done in DG2.

**MR. SIMMONS:** Yeah. You (inaudible).

**MR. WILSON:** We had validated that CPW was a suitable method for analyzing these two options, and the inputs were valid. We were looking at the changes going forward and updating the model –

**MR. SIMMONS:** Mm-hmm.

**MR. WILSON:** – for these results.

**MR. SIMMONS:** Mm-hmm. Okay.

So Mr. Kast, looking at item number viii there, the second sentence reads: "The CPW analysis review will validate the results for the base case of the two options computed by Nalcor." And then it says: "MHI's review will include an assessment and commentary on the sensitivities on the CPW analysis," and there's three bullet points listed there.

Can you tell me a little more about what the difference is between the base case and the sensitivities and what the purpose is or use is that's made of the base case versus the sensitivities?

**MR. KAST:** Oh yes, the purpose of that is to appreciate the sensitivity of a particular input in terms of changes to that input so that when we talk about the capex, for example, if the capex has expanded at the source level by X per cent – say 25 per cent – then what might the impact be on the CPW analysis?

The – I think I indicated yesterday that the CPW result does not give you the capex number. It's the capex number that goes into the CPW that's then broken into the component parts because you have to get a return of the asset, a return on the asset; you've got depreciation and so on and operating costs, and all these things are acting together, simultaneous.

So it's important, then, that when we do these various cost adjustments that they be put in – that the ingredients we're putting in are credible ingredients –

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** – so that the output that we get is equally as credible, and then it gives you a feeling for just how sensitive a particular ingredient is. So we talked about the volumes; we did a sensitivity on the volumes; we did a sensitivity on the fuel price; we did a sensitivity on the capex.

**MR. SIMMONS:** Okay.

So to do the CPW analysis – it's a prediction of costs that are going – expected to be incurred in the future in order to deliver power at particular times to the customers in – fundamentally, that's – would that be right? Or you're –

**MR. KAST:** Well, that's fair.

**MR. SIMMONS:** – not quite sure.

**MR. KAST:** That's fair. I mean, that's what we're trying to do here. That's the whole thing. I mean, we're –

**MR. SIMMONS:** Yeah.

**MR. KAST:** – trying to manage where we're going and is the path we're going to follow a credible one.

**MR. SIMMONS:** Yeah.

And in doing that, of course, there have to be assumptions about things that are going to happen in the future, such as the actual cost of building a project versus the estimated cost or the actual price of oil versus the estimated price of oil.

**MR. KAST:** Definitely. When we're talking about this, as I mentioned yesterday, we're talking 50 years in the –

**MR. SIMMONS:** Right. Right.

**MR. KAST:** – future, so that's very critical.

**MR. SIMMONS:** Yeah.

So the sensitivities then – do the sensitivities – are the sensitivities there to help understand what the effect is of some of the assumptions being wrong in the base case?

**MR. KAST:** You could characterize it that way. I, rather –

**MR. SIMMONS:** You wouldn't, so tell me about –

**MR. KAST:** No, in a sense, I don't like to say that they were wrong.

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** I think that, as I was attempting to say a few minutes ago, a number is a discreet item, and what we want to do is try and get some boundaries around that so that –

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** – we have a sense of where this might go. Because we know one thing for certain: the final number will never be the same.

**MR. SIMMONS:** Okay.

**MR. KAST:** In my whole career, it's –

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** – came early to realize that.

So what you need to do is do some sensitivities, so with respect to the capex, we did that, and that was the whole purpose of it. It's not that we felt that they were wrong. We just wanted to have an appreciation, say, this part might go up, this one might go down, and so on so where might we end up with the end result.

**MR. SIMMONS:** So are the sensitivities meant to address specific scenarios that someone think might happen, or are they meant to give an indication of how much the CPW could change if some of these input assumptions change?

**MR. KAST:** Well, I'm not thinking there's a lot of difference between your two options –

**MR. SIMMONS:** Okay.

**MR. KAST:** – but I think the latter – sorry. I think –

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** – the latter. It’s a sensitivity. I mean, if you have a capex number, as I just indicated, and if we think the capex might change by 25 per cent, for example, what is the impact on the CPW?

**MR. SIMMONS:** Right.

**MR. KAST:** Because as I said, it’s really critical to appreciate that the capex number that’s going in and the CPW result is different. It’s a different number. It’s taking that capex number and spreading it over its useful life and so on.

**MR. SIMMONS:** Okay. Thank you.

Gentlemen, I have some questions for you now about strategic risk as an input into or consideration in capital cost estimate. You were examined on that yesterday. And I’d like to bring you first to Exhibit P-00048, which was your report to the Public Utilities Board, and page 38 please.

Now, scroll down.

**THE COMMISSIONER:** That would be in the big binder, the general binder, in tab 3.

**MR. SIMMONS:** Scroll a little more, please? Thank you. Yeah.

In the – it’s page 38 in the Commission exhibit. The page on – the number on the document itself, at the bottom right, is page 36.

**MR. WILSON:** Yes, we have it here.

**MR. SIMMONS:** Okay.

So this is the section headed 2.3 Risk Review. So I’ll just read part of this. “MHI reviewed the risk” – and of course, this is at the DG2 stage. You were looking at the DG2 information when this report was prepared, correct?

**MR. WILSON:** That’s correct.

**MR. SIMMONS:** Yeah.

“MHI reviewed the risk analysis components of all reports and studies for both the Infeed and Isolated Island Options including the ‘Technical

Note – Strategic Risk Analysis and Mitigation.’ Nalcor defined risks into two categories: tactical and strategic for the Infeed Option. Tactical risks were separated into definition risks which evaluated the design and planning aspects of the project, and performance risks associated with contractor performance, weather delays, material pricing etc. Strategic risks include background risks such as changes in scope, market conditions, location factors etc. and organization risks which are associated with the size and complexity of the project.”

So in conducting the review for the Public Utilities Board, your reviewers, then, were provided with information from Nalcor about how risks were being analyzed and how they were being divided into tactical and strategic risks. Is that correct?

**MR. WILSON:** That’s correct. Yeah.

**MR. SIMMONS:** Okay. There’s a reference here to a particular document, Technical Note: Strategic Risk Analysis and Mitigation. I presume that would’ve addressed how strategic risk was being addressed at that stage.

**MR. WILSON:** I believe.

**MR. SIMMONS:** Okay.

**MR. WILSON:** Yeah, I believe that’s right.

**MR. SIMMONS:** Okay. And there’s some discussion here of the difference between tactical risks and strategic risks.

**MR. WILSON:** Yes.

**MR. SIMMONS:** So is that knowledge that you and the other people doing the work for Manitoba Hydro would have carried forward when you undertook to do the work for Government of Newfoundland and Labrador?

**MR. WILSON:** Partially, yes.

**MR. SIMMONS:** So you would’ve been aware that, in the project, that there was a distinction between strategic risk and tactical risk in the way risk analysis was being approached?

**MR. WILSON:** Mm-hmm. Yes.

**MR. SIMMONS:** Exhibit P-00818, please.

**MR. KAST:** What number?

**MR. WILSON:** (Inaudible.)

**MR. KAST:** It's (inaudible).

**MR. SIMMONS:** I don't have the –

**THE COMMISSIONER:** Just one second now.

**MR. SIMMONS:** And in particular page 3.

**UNIDENTIFIED MALE SPEAKER:** Tab 81.

**MR. SIMMONS:** So you were referred to this presentation yesterday. It's headed DG3 Estimate Overview, Presentation to MHI, 17th of June, 2012.

So 17th of June, 2012, was that in the time period when people from MHI, who were doing this work, were travelling back and forth to St. John's in order to conduct interviews and gather information? Does that sound correct, Mr. Wilson?

**MR. WILSON:** In August 7, I think all of our trip – travel had been completed by that point.

**MR. SNYDER:** June.

**MR. SIMMONS:** Mr. –

**MR. WILSON:** Oh, oh, in June. Pardon me.

**MR. SIMMONS:** June?

**MR. WILSON:** Yeah.

**MR. SIMMONS:** June?

**MR. WILSON:** Yes.

**MR. SIMMONS:** Okay. Yeah.

Mr. Kast, does that match – I'm sorry, Mr. Snyder, does that – you were nodding your head. Does that match your recollection –

**MR. SNYDER:** Yes.

**MR. SIMMONS:** – that that's when this – happening in this time period?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Yes, it does. Okay.

Now, this is the presentation where Mr. Learmonth questioned you on it yesterday. There was some comparison to another one and there was a slide 12 in the other presentation, which isn't in this presentation.

So my first question is – well, Mr. Wilson, did you travel to St. John's in June to take part in some of these meetings?

**MR. WILSON:** I believe I was in St. John's for that – for some of it, yes.

**MR. SIMMONS:** Okay.

**MR. WILSON:** But not the detailed technical meetings.

**MR. SIMMONS:** You didn't go to the technical meetings with the people you've described who were doing the –

**MR. WILSON:** No.

**MR. SIMMONS:** – the technical analysis? Okay.

Mr. Snyder, did you go to St. John's in June?

**MR. SNYDER:** Yes, I did.

**MR. SIMMONS:** Okay.

And do you have any recollection of this presentation? Does this ring any bells with you?

**MR. SNYDER:** I have a recollection of the presentation.

**MR. SIMMONS:** Mm-hmm. Can you tell me whether or not this might have been it?

**MR. SNYDER:** I presume that would've been it.

**MR. SIMMONS:** Okay. You don't have an independent recollection, though, of it?

**MR. SNYDER:** No –

**MR. SIMMONS:** Okay.

**MR. SNYDER:** – I don't.

**MR. SIMMONS:** Yeah.

Mr. Kast, were you part of the team that went to St. John's in June?

**MR. KAST:** I can't recall.

**MR. SIMMONS:** You can't recall if you went to –

**MR. KAST:** No –

**MR. SIMMONS:** – St. John's –

**MR. KAST:** – that's right.

**MR. SIMMONS:** – in June? Okay.

**MR. KAST:** I'd have to check.

**MR. SIMMONS:** Right. Okay.

So if we look at this report. Let's go to slide 2, the next page – which is actually page 4 of the document.

So does this look familiar to either of you?

**MR. WILSON:** Yes.

**MR. SIMMONS:** It does –

**UNIDENTIFIED MALE SPEAKER:** Yes.

**MR. SIMMONS:** – Mr. Wilson says yes. Okay.

So this is headed: Cost Estimate is comprised of 3 Primary Components, Definitions as per AACE Recommended Practice No. 10S-90. So does that AACE recommended practice mean anything to you, Mr. Wilson?

**MR. WILSON:** There's various AACE documents for cost estimating –

**MR. SIMMONS:** Yes.

**MR. WILSON:** – they define the ranges and categories of your cost estimate.

**MR. SIMMONS:** Okay. What's A –

**THE COMMISSIONER:** Could you speak up, Sir, if you would?

**MR. WILSON:** Oh, sorry, (inaudible).

The AACE is the Association of Cost Engineers.

**MR. SIMMONS:** Okay.

**MR. WILSON:** And they have a number of documents that are used in industry that define cost-estimating practices and ranges and classes of cost estimates.

**MR. SIMMONS:** Mm-hmm, okay.

So these are, pretty well, industry standard documents for approaches to conduct cost estimating for projects like this – are they?

**MR. WILSON:** To my knowledge, yes.

**MR. SIMMONS:** Yes, okay.

And there's – if we can scroll down a little bit so we can just see the full graphic, okay, we can stop there.

So there's a bar on the left, which has three different colours – indicators in it and a bracket on the left of that which says Project Estimate. So it appears – and correct me if I'm wrong – that this is an illustration of three of the components that went into the project estimate. Is that the way you'd –

**MR. WILSON:** That's correct, yeah.

**MR. SIMMONS:** – interpret that?

And they are: Base Estimate, Estimate Contingency and Escalation Allowance.

So on the Base Estimate, it says: "incl. Allowances for identified, but un-quantified, items." Can you tell me anything about what those allowances would be or what the significance is of those being included in a base

estimate? Or is something that someone else, like Mr. Moffat, would have been looking into?

**MR. WILSON:** I don't know the specifics of that.

**MR. SIMMONS:** Okay.

Mr. Snyder, do you – can you add anything?

**MR. SNYDER:** It is component parts that may be missing out of the estimate – intake service gates are the case and point, or some component of what a hydraulic structure might be.

**MR. SIMMONS:** Okay. My understanding is that allowances are amounts that are put in where the exact costs are not known and there's an allowance put in to cover off what the cost might be.

**MR. SNYDER:** That's correct.

**MR. SIMMONS:** And then it says – we'll just go to the top one, Escalation Allowance. Mr. Snyder, can you help us understand what an escalation allowance is and why it's included in the project estimate?

**MR. SNYDER:** Escalation allowance is in because of the expenditures going – occur over a future period of time –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – and so making sure that we have consideration for increases in cost over that period of time.

**MR. SIMMONS:** Yes. Okay.

So would the determination of the amount of the escalation allowance have been something that was within the mandate of people like Mr. Moffat and Mr. Proteau to look at for this – portions of the project that they were examining?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Were there any concerns reported back to you about the calculation or determination of the amount of escalation allowance in this project?

**MR. SNYDER:** No, they had been – Nalcor had been using a noted supplier, if you will, of that information.

**MR. SIMMONS:** And then the middle one, the yellow one there, says Estimate Contingency. And the description on the right says: "Provision made for variations to the basis of an estimate of time or cost that are likely to occur, that cannot be specifically identified at the time the estimate is prepared but, experience shows, will likely occur."

So what's your understanding of this reference to variations that are likely to occur, and why that would be included in an estimate contingency? Can you explain that at all?

**MR. SNYDER:** By and large the estimate contingency is – scope that you may find with, as I suggested earlier, with the fractured rock underneath and –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – so there's usually an allowance made for unusual conditions which may occur.

**MR. SIMMONS:** Is this description consistent with what you'd understand to be tactical risks as discussed earlier?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** The next paragraph says: "It is not meant to cover scope changes outside the Project's parameters, events such as strikes or natural disasters, escalation or foreign currency impact, or changes that alter the basis upon which the control point for management of change as been established as captured in key project documents" – referred to – "or address strategic/external risks."

So is it made clear here that the estimate contingency that's addressed in this report does not include strategic risks?

**MR. SNYDER:** Yes, it does.

**MR. SIMMONS:** Page 8, please, which I think is slide 6.



Okay, on this slide there are amounts in there for Contingency and Escalation Allowance. The amount for Contingency is \$368 million.

Does this slide look familiar to you, Mr. Snyder?

**MR. SNYDER:** Yes, it does.

**MR. SIMMONS:** Okay, do you recall seeing this at the time that the work was being done to prepare the report for the Government of Newfoundland and Labrador?

**MR. SNYDER:** Yes, I do.

**MR. SIMMONS:** Can you tell me what your understanding was of the \$368 million contingency, as to whether it was tactical risk or strategic risk?

**MR. SNYDER:** It was my understanding that it was tactical risk.

**MR. SIMMONS:** So you would've understood at the time that strategic risk was not being captured in this number and in this calculation?

**MR. SNYDER:** Correct.

**MR. SIMMONS:** Okay.

Mr. Wilson, does that accord with your understanding or do you have any recollection of that?

**MR. WILSON:** No, that's correct, yes.

**MR. SIMMONS:** Mr. Kast, do you have anything to add to that?

**MR. KAST:** I do not. I agree.

**MR. SIMMONS:** The next slide, please, which is gonna be page 9. Just one moment please.

I'm sorry, page 10.

Let's try 11. My three-hole punching has gone through the page numbers on my paper copy.

So this is another slide in the same presentation. There's a reference here to another AACE recommended practice, so Mr. Wilson, would

you know what that recommended practice is or what the reference is to?

**MR. WILSON:** Well, it's on the slide, but I don't know the specifics of it.

**MR. SIMMONS:** Don't know the specifics of it. Okay.

And this is sort of a – looks like a flow chart to show the process of – if you scroll down a little bit. Okay, stop there – of getting to the estimate contingency. And the – there's a box right in the middle that says "Tactical Risk Assessment," an arrow that goes down to say "Tactical Risk," and it shows what looks like it'll be an image of a curve, a risk curve – you're familiar with those risk curves?

**UNIDENTIFIED MALE SPEAKER:** Mm-hmm.

**MR. SIMMONS:** Yes. And then an arrow from there that goes to "Estimate Contingency." So did this slide make it abundantly clear that it was the tactical risk that was feeding into the estimate contingency?

**MR. WILSON:** That's the way I would read this, yes.

**MR. SIMMONS:** Let's try the next page please. Okay.

This one is headed Contingency Recommendations, and it refers to Westney. And Mr. Wilson, did you understand what Westney's role was in providing advice to Nalcor regarding contingency?

**MR. WILSON:** It was my understanding that Westney was Nalcor's risk consultant.

**MR. SIMMONS:** Okay, all right.

And if we scroll down to where we can see the bottom of this page, please? Okay, stop there.

And Mr. Wilson, does this slide look familiar to you? Is this something that you have any recollection of having seen before?

**MR. WILSON:** I think so. I – you know, just to note that it was a document that was provided to

MHI. But you know, this one may be a little larger than that had been noted in earlier testimony. So –

**MR. SIMMONS:** Well, I'm asking –

**MR. WILSON:** – (inaudible) I don't know –

**MR. SIMMONS:** – for your recollection.

**MR. WILSON:** – if I quite recall that slide in particular.

**MR. SIMMONS:** Okay. If you don't recall this one, just tell me you don't recall it.

**MR. WILSON:** Okay.

**MR. SIMMONS:** That's what I'm asking at this point. Okay.

Mr. Snyder, do you – does this look familiar to you?

**MR. SNYDER:** Yes, it does.

**MR. SIMMONS:** Okay.

So you – would you have seen this at the time that you were performing the work to prepare the report for GNL?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Okay.

Mr. Kast, does this look familiar to you?

**MR. KAST:** I don't recall. I appreciate the content, but I can't say that –

**MR. SIMMONS:** Okay.

**MR. KAST:** – I'm – you say, does it look familiar? Yes. Do I recall? No.

**MR. SIMMONS:** Okay, all right then.

Because we've – I think you've been referred to this before, and if you look down at items 3 and 4, there's disclosure there that the estimate is prepared on a P50 basis and that the contingency of 368 million is a P50 contingency equating to 7 per cent of the estimate.

So does anyone have any dispute with the fact that that information was disclosed to MHI in the course of preparing its work?

**MR. WILSON:** No.

**MR. SIMMONS:** No.

**MR. WILSON:** (Inaudible.)

**MR. SIMMONS:** And from what we looked at in the previous slides, it would seem clear that that contingency is a tactical contingency and that that was made clear from this presentation.

Mr. Wilson?

**MR. WILSON:** Mm-hmm. Yes.

**MR. SIMMONS:** Yeah.

Mr. Snyder?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Mr. Kast?

**MR. KAST:** Yes.

**MR. SIMMONS:** So Mr. Kast, for you, in your examination yesterday, you, I believe, gave some evidence about whether strategic risk would or wouldn't or should or shouldn't be included in the – as an input into the CPW analysis that was being conducted – or being reviewed – had been conducted by Nalcor and was being reviewed by MHI.

And I wonder if you can just repeat for me what your view was on whether the strategic risk properly formed a part of the CPW analysis that was done.

**MR. WILSON:** I brought it if you wanna use it.

**MR. KAST:** Yes, the – I think at the time we were looking at – oops, I'm sorry. That would be Exhibit 00048, and it was page 40, and I think I was making some reference to that graphic on that page.

But with respect to the strategic risk – whether it should be included or not – I think the first pass on that has to be with my colleagues in terms of

what they believe it includes and doesn't include and so on.

And we work as a team. I appreciate exactly where it's going; I appreciate strategic risk is an issue.

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** The question is we need to be clear whether it's in the CPW or not, and I said yesterday it was not included.

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** So I think we need to know where it was, and we do know where it was. It was not included, and I think it's appropriate that it wasn't included. It's external, and we've heard some discussion on that, and I think that's – I don't exactly – I can't say exactly what I said yesterday, but that's the essence of it.

**MR. SIMMONS:** Okay.

**MR. KAST:** Sir, I think – just thinking about it a bit more – I think I said yesterday that, also – my recollection is that if we're going to put strategic risk in by chance, let's be balanced about everything we do. Because from my perspective, on a CPW, it's important that we be balanced.

I wanna make sure that the CPW reflection for the Isolated Island is treated in a similar fashion to the Interconnected Island, which would – for each of the specific ingredients, the key ingredients, I'd go in. And I think yesterday I made some reference to fuel cost, for example. It's a bit – it's – probably represents two-thirds, or whatever the percentage is, of this one, whereas capex represents a big part of this one over here.

So if we're going to start to engage in that, we have to be symmetrical on both sides.

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** That was the –

**MR. SIMMONS:** Right.

**MR. KAST:** – flavour I was trying to –

**MR. SIMMONS:** Right.

So if you're –

**MR. KAST:** – bring out yesterday.

**MR. SIMMONS:** – looking at the CPW calculation for the Interconnected Island versus the Isolated Island Option, I hear you to say that if you're going to consider strategic type risks, it's not just in the capital cost of the construction that's in each one, it's in a larger sense of what strategic risks there might be that apply to each set of construction choices.

**MR. KAST:** Oh well, yes, that's true. And because when we're dealing with the fuel costs the risks are, for the most part, exogenous. They're beyond the control – sorry – they're beyond the control of Nalcor, if you like. And so it's important that, you know, if we're going to talk about the evaluation of both options –

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** – we should talk – if we're going to talk about strategic risk on this side, we should also talk about it on this side. And the question is, then, how do you express strategic risk as related to the fuel component over here.

**MR. SIMMONS:** Mm-hmm.

**MR. KAST:** Now, we don't need to go there because strategic risk is going to be done separately. If a study has to be done on that, so be it. But it's not included in terms of the CPW.

**MR. SIMMONS:** Okay. Thank you.

I had some questions regarding the meeting in Winnipeg that was attended by Mr. Bown and a number of people from Nalcor. I may have forgotten, but that was in August –

**MR. SNYDER:** Yes.

**MR. SIMMONS:** – I think, of 2012 –

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Mr. Snyder says yes.

**MR. WILSON:** Yeah –

**MR. SIMMONS:** Okay. Mr. Wilson agrees.

**MR. WILSON:** – August 13, I believe.

**MR. SIMMONS:** So prior to then people from MHI had travelled to St. John's and had met with the Nalcor people in St. John's.

**MR. WILSON:** That's correct.

**MR. SIMMONS:** Correct.

So in August, the people from Nalcor travelled to Winnipeg and met with the MHI people in Winnipeg.

**MR. WILSON:** That's correct.

**MR. SIMMONS:** Was there anything particularly different between the two sets of interactions? Or was the Winnipeg meeting a continuation of the work that had been underway since June? In your view, Mr. – okay, I'll ask Mr. Snyder.

**MR. SNYDER:** The meeting in Winnipeg in August was a higher level meeting of people that ...

**MR. SIMMONS:** Yes.

**MR. SNYDER:** So it was not involving the technical or financial experts at that particular point in time.

**MR. SIMMONS:** And what was your recollection of what the – what happened at the meeting, Mr. Snyder?

**MR. SNYDER:** The intent was to review the draft reports to go over –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – the various components of it –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – to discuss issues that had been uncovered during the technical –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – reviews –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – and so it was a short – I don't know how many hours it would've been over the two days, but it wasn't a – they were not long meetings.

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** But really to review where we were at and, you know, targeting a completion date.

**MR. SIMMONS:** Right.

Did you have any concern about having that meeting or participating in that meeting with people from government and from Nalcor, at that point?

**MR. SNYDER:** No.

**MR. SIMMONS:** Why not?

**MR. SNYDER:** Because we had developed a working relationship –

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** – that I thought was good.

**MR. SIMMONS:** Did anyone at that meeting say: You have to change something in your report? You have to change a conclusion that you're suggesting?

**MR. SNYDER:** Not to my knowledge.

**MR. SIMMONS:** Did you feel in the course of that meeting that any kind of influence was brought to bear or pressure was brought to bear, for you or anyone on your team, to do anything that you didn't want to with that report?

**MR. SNYDER:** No, there was not.

**MR. SIMMONS:** Okay.

Mr. Wilson, did you attend that meeting as well?

**MR. WILSON:** I believe I came in for that meeting, yes.

**MR. SIMMONS:** Yeah.

Do you have any different recollection of – compared to what Mr. Snyder has just said – told us?

**MR. WILSON:** In terms of ...?

**MR. SIMMONS:** In terms of the approach that was taken; whether there was any pressure put on Manitoba Hydro International.

**MR. WILSON:** Oh, no. No pressure. No.

**MR. SIMMONS:** No. Okay.

Mr. Kast, did you attend that meeting?

**MR. KAST:** Well, let's put it this way, a lot of water has passed over the dam since then –

**MR. SIMMONS:** Yes.

**MR. KAST:** – so I have no recollection of attending that meeting.

**MR. SIMMONS:** Okay, yeah. Thank you.

So there's been a fair bit of evidence, too, about these drafts of the report being exchanged between MHI, and with you, Mr. Wilson, being the contact point and Government of Newfoundland and Labrador with Mr. Bown being the contact point.

So in other circumstances, MHI has had some review of – some experience with doing reviews of – I said – other people's work before, preparing evaluative reports –

**MR. WILSON:** Mm-hmm.

**MR. SIMMONS:** – correct?

**MR. WILSON:** Correct.

**MR. SIMMONS:** Okay.

Can you offer me any comment on whether exchanging drafts with the client is usual, unusual, unheard of, always happens – some idea of the prevalence of that sort of practice in the industry?

**MR. WILSON:** I don't think I can comment on that, that – this is my personal experience, in the way it worked.

Al, do you have a comment on that?

**MR. SNYDER:** Well, there is many, many places where we have exchanged reports like that. There are some segments of the world where we have chosen not to exchange reports because of the political situations.

**MR. SIMMONS:** Hmm. Okay.

So that would be dealing in – with a foreign country where the political culture is different then what we expect –

**MR. SNYDER:** Yes.

**MR. SIMMONS:** – in Canada, would it?

Okay.

**MR. SNYDER:** But certainly within Canada we have shared.

**MR. SIMMONS:** Okay.

**MR. SNYDER:** And within the States.

**MR. SIMMONS:** And what's the purpose of doing that within Canada and the United States?

**MR. SNYDER:** To make sure there's no surprises, if you will, and that there's a good understanding of what's contained within the report.

**MR. SIMMONS:** Mm-hmm. Okay.

Let's look at P-00775, please.

This is a message that was referred to yesterday, and it's from September –

**MR. KAST:** One second, one second.

**MR. SIMMONS:** Sorry.

**MR. KAST:** We need to find –

**MR. SIMMONS:** Oh, sorry. Yes, I don't have the tab number.

**THE COMMISSIONER:** Tab 52.

**UNIDENTIFIED MALE SPEAKER:** Tab 52.

**UNIDENTIFIED MALE SPEAKER:** Okay.

**MR. SIMMONS:** This was a message that was referred to yesterday and it was, Mr. Wilson, some email correspondence between you and Mr. Brian Crawley at Nalcor Energy. And if we go to the – go to page 2 we get the message – the first message from Mr. Crawley that day.

He says: “Paul... I have a few comments of a technical nature which we would like to pass on for your consideration. How would you like to proceed? I don’t think it will take very long ... we could even speak by phone ....” Et cetera.

So this appears to be Mr. Crawley, from Nalcor, wanting to make some comments which he says is of a technical nature, presumably on the draft report. Did – Mr. Wilson, did that present you with any concern? That request?

**MR. WILSON:** No, not – because it was, basically, technical in nature.

**MR. SIMMONS:** Yeah.

**MR. WILSON:** I had no concerns about it.

**MR. SIMMONS:** Okay.

Mr. Snyder, would that raise any concerns from you?

**MR. SNYDER:** No, it would not.

**MR. SIMMONS:** No. Would it, in fact, be important to try and get the technical aspects of the report right before the report is finalized?

**MR. SNYDER:** Yes.

**MR. WILSON:** Yes, yeah.

**MR. SIMMONS:** P-00773, please. And if we can go to page 14.

**UNIDENTIFIED MALE SPEAKER:** Tab 50.

**MR. SIMMONS:** This was one of the drafts of the report that was exchanged. And Mr. Wilson

you were brought to this page; this appears to be a document prepared using Word with – where insertions and deletions are tracked and indicated.

So if I understand correctly, on this page there’s a paragraph that’s – it has red lines through it, indicating that it had been included in a draft and now it’s been deleted. So have I got that, basically, right?

**MR. WILSON:** That’s correct.

**MR. SIMMONS:** Okay.

And you were asked why it was deleted and you said you didn’t know. Do you know who did this edit and deleted this paragraph?

**MR. WILSON:** No, I do not.

**MR. SIMMONS:** Okay, do you know whether it was done by someone within MHI?

**MR. WILSON:** I do not.

**MR. SIMMONS:** Do you know – was it done at the request of anyone from the Government of Newfoundland and Labrador?

**MR. WILSON:** I do not recall.

**MR. SIMMONS:** Was it done through the request of anyone from Nalcor Energy?

**MR. WILSON:** I do not know that either.

**MR. SIMMONS:** Okay.

Now, you were the one with the control over the final document within MHI, correct?

**MR. WILSON:** Correct.

**MR. SIMMONS:** So when you were working through these iterations of revisions to the document, were you doing that all by yourself or were you consulting with other people on your team as needed?

**MR. WILSON:** I would consult with Mack Kast and Al Snyder, particularly, if I felt there’s – you know, they needed to be aware of this change.

**MR. SIMMONS:** Okay, do you have any recollection of consulting with anybody about this internally?

**MR. WILSON:** No, I do not.

**MR. SIMMONS:** Okay.

Mr. Snyder, can you shed any light on this?

**MR. SNYDER:** No, I'm sorry, I can't.

**MR. SIMMONS:** Yeah. Mr. Kast?

**MR. KAST:** I cannot either.

**MR. SIMMONS:** Okay, so if we look at what the paragraph actually says, it says: "MHI also recommends that Nalcor be cautioned regarding the contingency levels in their estimated costs as there are opportunities for unexpected increases."

Then it goes on to say: "Nalcor has current contingency levels in their estimate for the Labrador Island HVdc converter stations that are below industry norms and therefore should be re-evaluated. Any additional contingency allocated for the HVdc converter stations at levels following industry norms would not alter the outcome of the Interconnected Island option in favour of the Isolated Island option."

So this point that's being raised here about the estimate for the converter stations, is that – I think it was Mr. Proteau had raised that earlier?

**MR. WILSON:** That'd be Mr. – that'd be Les Recksiedler.

**MR. SIMMONS:** Oh, Les Recksiedler has raised that particular one, okay.

And if we go to your final report, please, P-00058, page 37, first.

**UNIDENTIFIED MALE SPEAKER:** Tab 64.

**MR. WILSON:** Okay.

**MR. SIMMONS:** So, page 37 is the start of the section dealing with HVdc converter stations. So this is Mr. Recksiedler's work?

**MR. WILSON:** That's correct.

**MR. SIMMONS:** This section? Okay, here – and then if you go to the end of that section on page 40. And this – I brought you to this paragraph before at the bottom – the bullet where it says: "The cost estimates for the synchronous condensers appear low when compared to other projects in Canada."

Is this the same topic that was addressed in that deleted paragraph that we looked at a moment ago?

**MR. WILSON:** I believe so, yes.

**MR. SIMMONS:** Okay. And this stayed in the final report, correct?

**MR. WILSON:** This is the final report, yeah.

**MR. SIMMONS:** Yeah. Okay.

Only a couple more items, Commissioner, so – I know we're close to the break but –

**THE COMMISSIONER:** Okay –

**MR. SIMMONS:** – I can probably continue –

**THE COMMISSIONER:** – go ahead.

**MR. SIMMONS:** – and finish. Yeah.

Mr. Snyder, yesterday you were asked a question about a P50 estimate.

**MR. SNYDER:** Yes.

**MR. SIMMONS:** I'm losing the word now for what that means – probability – versus use of a P75.

**MR. SNYDER:** Right.

**MR. SIMMONS:** And you gave an explanation yesterday that I didn't quite understand, as to what the usefulness or the difference would be between using P50 and P75. So I wondered if you can just try that again for me, and I might have a couple of questions?

**MR. SNYDER:** Sure. A P50, you know, has a 50 per cent probability that you exceed the costs.

**MR. SIMMONS:** Mm-hmm.

**MR. SNYDER:** And a 50 per cent probability that you will be higher.

**MR. SIMMONS:** Yes.

**MR. SNYDER:** P75 – 75 per cent that you will achieve the costs.

**MR. SIMMONS:** Yes.

**MR. SNYDER:** And 25 per cent that you will be higher.

**MR. SIMMONS:** Yes.

**MR. SNYDER:** Or lower.

**MR. SIMMONS:** Right. So what's the effect then on setting of contingency, when you're using P50 or P75?

**MR. SNYDER:** As I've tried to explain yesterday, when people are using a P75, they're a little more cautious in what they develop for their capex.

**MR. SIMMONS:** For the base estimate.

**MR. SNYDER:** The base estimate. And, therefore, you know, it may not be a true P75, but they have, you know, they've made sure that they're going to achieve a P75 because they've (inaudible).

**MR. SIMMONS:** Okay, so I think I understand what you're getting at, so I'm gonna put a proposition to you and if I'm wrong, just correct it.

**MR. SNYDER:** Okay.

**MR. SIMMONS:** Do I understand you to be saying that to go from a P50 to a P75, more work would have to be done on the quality of the base estimate which would result in the estimate rising and being more?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** And so that the contingency that would be applied at a P50 would have to be

fairly high to account for the uncertainty in the base estimate.

**MR. SNYDER:** Yes.

**MR. SIMMONS:** But when you get the P75, that contingency gets smaller because of the greater certainty in the base estimate?

**MR. SNYDER:** That's possible, yes.

**MR. SIMMONS:** Okay. So is that what – I'm – I don't want to put words in your mouth about this, but is that something that I take out of your explanation?

**MR. SNYDER:** Yes.

**MR. SIMMONS:** Yeah.

So in order to assess whether the overall estimate with contingency, how much higher it would be at a P75 level than a P50, you would have to take into account both the change in the base estimate and the change in the contingency value?

**MR. SNYDER:** That's correct.

**MR. SIMMONS:** Okay. Only one other item.

Mr. Wilson, I have to go back to your interview evidence that Mr. Learmonth asked you about yesterday, and I've got a copy here, so you can refer to it easily, of pages 12 to 14 of your interview transcript.

And this relates to whether or not you and MHI were aware of the risk analysis work done by Westney and, in particular, of whether there had been a value arrived at for a strategic risk. So I just want to run through this with you again. So in your interview you were under oath at the start, correct?

**MR. WILSON:** That's correct.

**MR. SIMMONS:** Yeah. Represented by legal counsel, correct?

**MR. WILSON:** That's correct.

**MR. SIMMONS:** Had you had an opportunity to prepare for your interview?



**MR. WILSON:** Yes.

**MR. SIMMONS:** To some extent.

**MR. WILSON:** Some extent. Yeah.

**MR. SIMMONS:** Okay. All right.

So on page 12, halfway down – I’ve highlighted it for you – it reads: Mr. Learmonth: Okay. Did you personally review the DG3 project costs and schedule risk analysis that was in the possession of Nalcor? Mr. Wilson: Project costs and risk analysis. Mr. Learmonth: Or any – never mind the one – any project cost and schedule risk analysis provided by Nalcor in relation to your preparation of the report. Mr. Wilson: Not on the individual pieces, no. The one that comes to mind would be the Westney report for strategic and management risks – which was something you volunteered in the interview.

**MR. WILSON:** Mm-hmm.

**MR. SIMMONS:** Mr. Learmonth: Did you personally review the Westney report. Mr. Wilson: I read it.

Now, was that your recollection at the time when you were interviewed?

**MR. WILSON:** I recollect seeing a Westney document, right, so that’s what I’m referring to here.

**MR. SIMMONS:** Okay. Well, you –

**MR. WILSON:** Now, whether it’s entitled the Westney report for strategic and risk management analysis –

**MR. SIMMONS:** Yeah.

**MR. WILSON:** – I’ll need to check on that.

**MR. SIMMONS:** Well, Mr. Learmonth didn’t suggest that terminology to you in the interview.

**MR. WILSON:** No, but that’s what came –

**MR. SIMMONS:** You volunteered that terminology.

**MR. WILSON:** Yeah. That came up. Yeah.

**MR. SIMMONS:** So I’ll just ask you point out: where did you get that phrase when you answered that question? It seems to me if had to come from your recollection at the time.

**MR. WILSON:** Yeah. Well – and there’s been a couple of instances in this hearing where I’ve mixed up tactical and strategic risks at the same time. So –

**MR. SIMMONS:** So are you saying this was wrong?

**MR. WILSON:** I would need to check the title on that document, which I believe is an exhibit.

**MR. SIMMONS:** Okay.

But anyway, Mr. Learmonth said: Did you personally review the Westney report, and –

**MR. WILSON:** Yeah.

**MR. SIMMONS:** – you said you read it, whichever report it was.

**MR. WILSON:** Yes.

**MR. SIMMONS:** Okay.

Yeah, turn over to page 13.

At the top, it says: Mr. Learmonth: Okay. Well, were you aware that there was an amount of around 500 million that was included in the Westney report for strategic risk? Just so you don’t – maybe I didn’t put that well. In the – you can take this as an assumption. In the June 4, 2012, estimate accuracy analysis report from Westney there was an amount of 7 per cent, or 368 million, for tactical risk and a recommendation of 497 million for strategic risk. Are you aware of that? Mr. Wilson: Yes, I am.

Was that your recollection at the time that you were asked that question, that you were aware that there had been a recommendation from Westney of 497 million for strategic risk? ‘Cause that’s what it says here.

**MR. WILSON:** Well, my recollection is the 7 per cent, 368 million, for tactical risks.

**MR. SIMMONS:** Well, why did you –

**MR. WILSON:** Yeah.

**MR. SIMMONS:** – answer yes –

**MR. WILSON:** Yeah.

**MR. SIMMONS:** – to the question? I mean, this is –

**MR. WILSON:** Yeah.

**MR. SIMMONS:** This stands out to me.

\$497 million for strategic risk. That's not, you know, small numbers. That's a pretty significant item there. And you answered: Yes, I am.

**MR. WILSON:** Well, I believe I'm in error, Sir, on this one.

**MR. SIMMONS:** Okay. Thank you.

Thank you, gentlemen. And thank you, Commissioner. That's all the questions.

**THE COMMISSIONER:** No problem.

All right, let's take our break, then, now, for 10 minutes. And we'll come back in – around 11:25.

**CLERK:** All rise.

### Recess

**CLERK:** All rise.

Please be seated.

**THE COMMISSIONER:** Okay.

Concerned Citizens Coalition.

**MR. BUDDEN:** Good day gentlemen.

My name is Geoff Budden, I'm the lawyer for the Concerned Citizens Coalition, which is a group of individuals who for a number of years now have been critics of the Muskrat Falls Inquiry.

So most of my questions will be directed at you, Mr. Wilson; though, I will have a couple directed at the other gentlemen.

So just by way of background, as we all know, your original involvement with Muskrat Falls – your only prior involvement with Nalcor or Muskrat Falls or Newfoundland, I suppose, as far as we know, was when the PUB hired Manitoba Hydro International to assist it with some of the technical aspects of this reference question.

So that's correct, is it not?

**MR. WILSON:** That's correct, yeah.

**MR. BUDDEN:** Okay.

And is it also correct that in that engagement that Manitoba Hydro International was frustrated by the problems that were experienced with getting documents out of Nalcor?

**MR. WILSON:** There was a challenge, yes, which –

**MR. BUDDEN:** Okay.

**MR. WILSON:** – eventually was resolved, and it took time, yes.

**MR. BUDDEN:** Sure. I think you referred to it as a – substantial problems in your transcript in your interview by Mr. Learmonth. That sounds correct, does it?

**MR. WILSON:** I believe so, yeah.

**MR. BUDDEN:** Sure, okay.

And, of course, the PUB concluded its review in, I believe, March 30, 2012. And what they essentially concluded was that on the base of the information that had been provided by Nalcor, they were unable to recommend a choice between the two options. So you are aware of that?

**MR. WILSON:** That's their report – their (inaudible) –

**MR. BUDDEN:** That was their – there was a report, yes. And just a couple of days later, I

think perhaps two days later, you were hired by the Government of Newfoundland and Labrador for a somewhat similar evaluative purpose with regard to the same set of issues: the choice Newfoundland was facing between proceeding with the Muskrat Falls Project or the Isolated Island project.

**MR. WILSON:** Well, just to be clear, the contract wasn't signed until six weeks later.

**MR. BUDDEN:** Sure. But the original engagement happened quite quickly over those few days.

**MR. WILSON:** The initial discussions, yes.

**MR. BUDDEN:** Okay.

And did you know at the time of your original engagement that the government was very happy with the decision, or lack of decision, of your previous client, the PUB?

**MR. WILSON:** I had no knowledge of what the government – what their thoughts were or any discussions with them.

**MR. BUDDEN:** Okay, so you were unaware, either – so you – Mr. Bown, didn't tell you anything directly to that effect?

**MR. WILSON:** Not prior to their call for us.

**MR. BUDDEN:** Sure. And in those original few days, did you become aware that they were unhappy with the PUB's failure to arrive at a decision?

**MR. WILSON:** I don't believe we discussed that, no.

**MR. BUDDEN:** Okay. And were you aware through the general – I know you were in Manitoba not in Newfoundland, but you – were you aware there was a big story here and that the government was fairly open in its displeasure with the PUB for having failed to, quote unquote, fulfill its mandate?

**MR. WILSON:** No, I won't say that I wasn't fully aware of what was going on here.

**MR. BUDDEN:** Okay.

Perhaps we could turn to Exhibit 00727, Madam Clerk. What that is – it is the Government of Newfoundland's response to the PUB report. But my main interest is to do with you guys. I don't know that would be among your tabs.

Okay.

**CLERK:** (Inaudible.)

**THE COMMISSIONER:** Just waiting for it to come up.

**MR. BUDDEN:** Fortunately a very short Exhibit, but it's obviously taking a moment to load.

**THE COMMISSIONER:** I don't think it's an Exhibit that these two – that these individuals have in front of them right now.

**MR. BUDDEN:** I'm sure it's not actually.

If anybody's got a paper copy at their fingertips, I can read in the section we need.

**THE COMMISSIONER:** Just one second. We should be able to get this brought up now. Just –

**CLERK:** (Inaudible.)

What's the Exhibit number?

**MR. BUDDEN:** 00727.

**THE COMMISSIONER:** So we're having a little bit of a technical glitch right at the moment, trying to bring up this – let's take a minute and bring our technical people in to see if we can figure this out and get it brought up. So just take a second.

**MR. BUDDEN:** Sure.

**THE COMMISSIONER:** Just adjourn for a moment.

**CLERK:** (Inaudible.)

**THE COMMISSIONER:** Here it is. Okay.

**MR. BUDDEN:** Okay.

If we can scroll down so that I can see that from the bottom – yes, and scroll back a tiny bit so I can see the third paragraph from the bottom. A little more please. Yes. I'll read it to you gentlemen just to save time.

Quote: "The next steps will involve analysis of Decision Gate 3 information – the most up-to-date information on load forecast, fuel price forecast, defined capital costs, and system integrated studies. The Premier" – and this is the key part – "The Premier announced today that the Provincial Government has engaged Manitoba Hydro International, the same experts engaged by the PUB, to" – quote – "provide external and independent analysis of the" – DG3 Gate – DG3 – "information prior to any decision on whether or not to sanction."

So was that your understanding of your – the general intent of your task here to provide an external and independent analysis of the DG3 information?

**MR. WILSON:** In the context of what our scope of work was engaging and the CPW analysis and inputs into the CPW analysis? Yes, that's, you know, the scope that had been entertained and discussed with Charles Bown at the time.

**MR. BUDDEN:** Okay.

What would your understanding, I guess, of an external and independent analysis be, Mr. Wilson?

**MR. WILSON:** Just that a third party, impartial and independent, yes.

**MR. BUDDEN:** Okay. Thank you.

Could we perhaps next call up Exhibit 00004, which is the Flyvbjerg report?

And, Madam Clerk, it's page 28 I'm interested in that exhibit.

**CLERK:** Give me the page number.

**MR. BUDDEN:** Twenty-eight, please.

And, gentlemen, I'm not sure, I doubt you have this one with you, either, but I'll read the keys

parts. And scroll down a tiny bit more so I can read all of 4.2.2. A tiny bit more, please. I think there's another paragraph. Yes, that's good.

I'll read this paragraph to you, gentlemen – quote: "In many megaprojects, government acts as both promoter of a project and the guardian of public interest issues for that project, such as protection of the environment, safety and of the taxpayer against unnecessary financial risks. These often conflicting objectives not only create conflicts of interest and principal-agent problems but also political bias."

Would you agree that that's a pretty good fit there for the Muskrat Falls situation?

**MS. E. BEST:** I'll object to that question. I don't see how these witnesses are the appropriate people to be asking about interpretation of Mr. Flyvbjerg's report.

**THE COMMISSIONER:** Okay.

**MR. BUDDEN:** I'm not asking them to interpret the report, I'm just asking – I can go through it phrase by phrase. Muskrat Falls was a megaproject, you agree with me there.

**MR. WILSON:** Yes.

**MR. BUDDEN:** Okay.

The government acted both as a promoter of the project, through Nalcor, its Crown corporation and as a guardian of the public interest for that project. Are you with me so far?

**MR. WILSON:** Yes, yeah.

**MR. BUDDEN:** Okay, that these objectives can be conflicting.

**MR. WILSON:** Yeah, certainly. Yeah.

**MR. BUDDEN:** Okay.

And they also feature political bias.

**MR. WILSON:** Perhaps. I don't want to – well, you know –

**MR. BUDDEN:** I'm –

**MR. WILSON:** That's, again, the whole thing, you know, make any opinion on Mr. Flyvbjerg's work here.

**MR. BUDDEN:** Sure, I'm not asking you to opine on his work. We'll get into the next paragraph. Perhaps you can just read that one because it – that is at the heart, I think, of your mission. Why don't you read that one: Project reviews, Mr. Wilson?

**MR. WILSON:** "Project reviews and audits can surface potential political bias in projects," for example, "the suppression of bad news. For reviews to effectively provide checks and balances, the reviews and audits need to be independent, i.e. free of political bias themselves. At a minimum, this requires reviews to be independent of any government agency overseeing a project" for example, reviews by the national auditor, "if not independent from government altogether."

**MR. BUDDEN:** MHI obviously was independent of the Government of Newfoundland. You're –

**MR. WILSON:** Right.

**MR. BUDDEN:** – not a division of the Government of Newfoundland or anything like that.

**MR. WILSON:** That's correct.

**MR. BUDDEN:** Okay.

So would you agree that on the surface you, MHI, would seem to be a good fit for the kind of review that Professor Flyvbjerg is contemplating in that particular section?

**MR. WILSON:** I believe we are qualified to do this review, yes.

**MR. BUDDEN:** Thank you.

And, again, in – from whom or what would MHI have to be independent?

**MR. WILSON:** I am not fully understanding the question.

**MR. BUDDEN:** Okay.

If you're independent, I'm asking from whom or what would it be important that MHI be independent?

**MR. WILSON:** I think in this case it would have to be Nalcor.

**MR. BUDDEN:** Nalcor.

**MR. WILSON:** Not associated with Nalcor in any way.

**MR. BUDDEN:** Not Nalcor and how about the Government of Newfoundland and Labrador?

**MR. WILSON:** Well –

**MR. BUDDEN:** Independent from them as well?

**MR. WILSON:** – in the previous paragraph they are the promoter and the guardian of public interest and they were the ones hiring us –

**MR. BUDDEN:** Yes.

**MR. WILSON:** – to represent that and do an independent review, right?

**MR. BUDDEN:** Well, they've already announced to the public they're hiring you –

**MR. WILSON:** Mmm.

**MR. BUDDEN:** – to do an external and independent review.

**MR. WILSON:** Mmm.

**MR. BUDDEN:** So does it follow from that – I would suggest it follows from that that this review also has to be independent from government.

**MR. WILSON:** I'm not exactly sure how that can potentially be as we are under contract to the Government to do these services.

**MR. BUDDEN:** Yes. And you're under contract to perform an external and independent review. Would you agree?

**MR. WILSON:** Within the scope of work provided. Yes.

**MR. BUDDEN:** Within the scope of the work.

**MR. WILSON:** Yeah.

**MR. BUDDEN:** Thank you.

To what degree, if at all, did MHI word its report in accordance with the political sensitivities of Newfoundland?

**MR. WILSON:** Can I refer that question to you, Al?

**MR. SNYDER:** Okay.

**MR. WILSON:** I got to refer to Al Snyder to help me out. I (inaudible).

**MR. BUDDEN:** Sure.

Mr. Snyder.

**MR. SNYDER:** As far as I'm concerned we didn't – we weren't influenced in any way, shape or form by politics in the Province of Newfoundland and Labrador.

**MR. BUDDEN:** Okay.

That's not exactly my question. My question was to what degree did MHI word its report in a response to the political sensitivities in Newfoundland. And I'm thinking in particular of some of the wording and some aspects of your transcript with Mr. Learmonth. Would you like to review some of that to refresh yourself?

Sure, okay, looking at page 39.

**CLERK:** Check your mic.

**THE COMMISSIONER:** You just referred to that on your mic and –

**MR. BUDDEN:** Sure.

Page 39 is what I'll be referring you to. And I've marked this up but I'll point to you and perhaps you could read.

**THE COMMISSIONER:** So this is – can I assume this is an interview that was done with Mr. – with which individual?

**MR. BUDDEN:** This was the interview – transcript of the interview that was done on the 27th of August 2018, by Commission counsel Learmonth with each – with all three of these gentlemen collectively.

**THE COMMISSIONER:** Okay.

**MR. BUDDEN:** And you can read, perhaps, from there, Mr. Snyder: Now, you have a comment on.

**MR. SNYDER:** Comment, note, Al, the language here may have to be softened as – so as to not alarm the public of Newfoundland. What do you mean by that?

**MR. BUDDEN:** So that instance, that was your comment or Mr. Wilson's comment?

**MR. WILSON:** (Inaudible) flip forward. So that was me, right? Mr. Learmonth – he's talking to me.

**MR. SNYDER:** I guess it was Mr. Wilson's.

**MR. BUDDEN:** And he was suggesting to you what?

**MR. WILSON:** So in the original drafts of the report, Mr. Proteau makes a note that expropriation in his reviews based on discussions he's had with Nalcor. And, particularly, I think it was – it involves transmission line rights. I objected to the wording mostly because these are legal considerations that I don't believe have, you know, a place in our report, right? This is not for us to discuss.

**MR. BUDDEN:** Okay.

**MR. WILSON:** Yeah.

**MR. BUDDEN:** So, in the result, you were suggesting wordings to the report so as not to perhaps cause – I think you used the term – political alarm within Newfoundland. That was the purpose of that, was it not, Mr. Wilson?

**MR. WILSON:** I think I would do that in any jurisdiction, yes.

**MR. BUDDEN:** Okay.

**MR. WILSON:** Yeah.

**MR. BUDDEN:** So even though this was an independent report, you were writing it, in part, so as to avoid political alarm.

**MR. WILSON:** You need to write any report for your target audience. The target audience of this report was the people of Newfoundland and the Government of Newfoundland.

**MR. BUDDEN:** So you do concede that part of your target audience was the people of Newfoundland.

**MR. WILSON:** I expected this report to become public, yes.

**MR. BUDDEN:** Sure. Okay.

Perhaps we could go to Exhibit P-00819. It's a fairly short exhibit and I think that is in your material.

**MR. WILSON:** Do you know the tab?

**THE COMMISSIONER:** Just one second.

**MR. BUDDEN:** Oh, I don't know the tab.

**THE COMMISSIONER:** Tab 82.

**MR. WILSON:** Eighty-two.

**MR. BUDDEN:** And perhaps, Mr. Kast, you're the best one to put this one to.

Perhaps you could read into the record the very short email from Paul Humphries to – who is of Nalcor, of course – to Mr. Bennett, Mr. Crawley, also of Nalcor. It's an email dated August 10, 2012.

**MR. KAST:** Yes, I see that.

Would you like me to read what Paul –?

**MR. BUDDEN:** We'll get to that. Perhaps you can start by just reading the email.

**MR. KAST:** Okay.

"I guess nobody told Mack that there wasn't an RFI process? There's a couple of weeks work

here and I don't think much of" anything has "to do with their scope of work.

"I am not in today but I think we" will "need to shut this one down.

"Paul."

**MR. BUDDEN:** I think we need to shut this down. So what he was shutting down, I presume, if you scroll down, I think the final page of that, or final two pages of that short exhibit is a list of questions that you had directed to him.

Perhaps we need to scroll down all the way, Madam Clerk. Questions for discussion, that's it. It's a fairly extensive list, is it not, Sir?

**MR. KAST:** Yes, it is.

**MR. BUDDEN:** Okay.

So I take it that you put these questions to Nalcor because you thought they were important.

**MR. KAST:** Yes, of course. I consider everything I'm doing as relatively important.

**MR. BUDDEN:** And Mr. Humphries did not think they were important.

**MR. KAST:** I can't judge that.

**MR. BUDDEN:** Well, from the reading of the email isn't that the obvious conclusion? That he didn't think they were important, he thought it was outside of the scope of what you should be asking.

**MR. KAST:** I think that's conjecture. I can't agree to that.

**MR. BUDDEN:** Okay, well, scroll back again and we'll have a look at it.

We have agreed that you thought they were important?

**MR. KAST:** Yes.

**MR. BUDDEN:** You're with me so far.

**MR. KAST:** Yes.

**MR. BUDDEN:** Yeah. Perhaps just read that again.

**MR. KAST:** “I guess nobody told Mack that there wasn’t an RFI process? There’s a couple of weeks work here and I don’t think much of has anything to do with their scope of work.”

**MR. BUDDEN:** Okay.

So it follows – I would suggest, it’s not just conjecture, it follows from the plain reading of that, that he didn’t think what you were looking for was important for the scope of work you were supposed to be doing, your independent review.

**MR. KAST:** Well, I don’t know that we can say that it wasn’t important. He says that – he’s implying I don’t know there was an RFI process and that there’s a lot of work to clear these questions.

**MR. BUDDEN:** And –

**MR. KAST:** They might well have been important, he just maybe didn’t want to put the time into them.

**MR. BUDDEN:** “... and I don’t think much of has anything to do with their scope of work.” You’re saying that there’s any ambiguity there? That he didn’t think it was important?

**MR. KAST:** Well, that’s his opinion; he perhaps didn’t think it had anything to do with what we were doing.

**MR. BUDDEN:** Okay.

What ultimately happened? Were your questions ever answered?

**MR. KAST:** Well, I would have to go through each of the questions to try and decide. I don’t have any penned information in front of me. But was it your intent that we go through each of the questions?

**MR. BUDDEN:** I’m just asking, firstly as a general matter, were the questions answered at

that time in the form they were put to this particular person you put them to.

**MR. KAST:** Oh.

Mmm, I can’t recall. I’d have to look at the material; I don’t see that in front of me.

**MR. BUDDEN:** Okay.

Is it customary on an independent review to direct questions at the subject of the review and to be told the questions aren’t important? Is that something you typically encounter?

**MR. KAST:** Well, you know, everything is done for a reason. That what was going on – and I think we have to put things in total perspective and so on, the time that it was going on, who else is involved and so on.

You know, maybe they – their perspective was to get from point A to B more quickly. My perspective was let’s just make sure that we cover everything, so I sort of – sometimes you call it a very wide perspective and let’s gather – and I think I talked about it yesterday, let’s gather the outliers and then we can start to judge – you know, get the comfort level of where we want to be. And that’s really what I was after here.

**MR. BUDDEN:** But I would suggest to you, Sir, that is not the point of an independent review to, you know, to sort of counter the client wishing to get from A to B quickly.

**MR. KAST:** I don’t understand the question.

**MR. BUDDEN:** Okay, I’ll repeat it.

Is not the point of an independent review to act as a check or a balance on a situation where a client wants to get from A to B quickly –

**MR. KAST:** Yes.

**MR. BUDDEN:** – perhaps too quickly?

**MR. KAST:** No, but it’s – to get from point A to B, I think that quickly is an interpretation that we’re bringing to this. The most important thing is, let’s determine what’s right.



So quickly is subjective, whether – is it two weeks or is it two months? How do you define quickly?

**MR. BUDDEN:** Well, he defined that he thought a couple weeks' work was a waste of time because he didn't think (inaudible) request had much to do with the scope of work. Who is right, you or him? Did your questions have to do with the scope of work?

**MR. KAST:** Well, I suggest that they did; otherwise I wouldn't have asked them.

**MR. BUDDEN:** Okay.

So you put to him questions that you thought had to do with the scope of work. They weren't answered. What did you do about it?

**MR. KAST:** I can't say that they weren't answered. I don't know to what extent that we did have the information that I was looking for or that we received the information.

**MR. BUDDEN:** Okay.

**MR. KAST:** I don't have that recollection in front of me. Some of the questions are somewhat general and I sense that we did have it. In terms of writing the report, I think I already indicated that the sensitivity analysis is important. So what I'm doing is I'm looking for the outliers. I'm trying to get – make sure that I have – you know, we talk about P50 or P70 over here, sort of thing – it's going on up here too.

And you're thinking, and so what I got to make sure is my comfort level where it should be in terms of everything that I have. So you tend to ask questions that – okay, you know, from 7 per cent, 8 per cent, whatever it might be.

**MR. BUDDEN:** But I would think you'd get to your comfort level step by step. You ask a question, you get an answer.

**MR. KAST:** Mm-hmm.

**MR. BUDDEN:** If the answer satisfies you, you move to the next step. If it doesn't, you drill down a little more. Would you disagree with that?

**MR. KAST:** Well, that's true, it is step by step. But, remember, that this wasn't the beginning point in terms of the exercise.

**MR. BUDDEN:** Okay, so there were previous steps, but this particular step you gave him questions that you thought were important. He didn't think they were important and they weren't answered.

**MR. KAST:** Fair enough, whatever.

**MR. BUDDEN:** Okay.

**MR. KAST:** Yeah.

**MR. BUDDEN:** Well, it's a big point.

**MR. KAST:** Well, I mean, it's – they were important from my perspective. I'm still not going to agree that, you know, whether it's important or not important. I was looking for sensitivity in terms of asking these questions. So in that context, I consider them to be important. What he –

**MR. BUDDEN:** Sir, Newfoundland hired you –

**MR. KAST:** – thought –

**MR. BUDDEN:** – for – to conduct an independent review.

**MR. KAST:** Fair enough.

**MR. BUDDEN:** So I'm not asking for apologies for why it wasn't provided. I'm just asking you to confirm that it was not provided as best you can say here today.

**MR. KAST:** Well, I – now, with respect to it not being provided, I don't know to what extent these questions were ultimately answered.

**MR. BUDDEN:** Okay.

**MR. KAST:** Right? Now, he made a comment at the outset. Now ultimately, what information we got I would have to go through each question and figure out did I ultimately get the information –

**MR. BUDDEN:** Okay.

**MR. KAST:** – and enough information. I can assure you that in the end, if I didn't have enough information, I am not going to put my name on the line to say that everything was done with the fullness of time so –

**MR. BUDDEN:** Okay. We'll get to that in a few minutes.

**MR. KAST:** Okay.

**MR. BUDDEN:** For now, perhaps we can go to Exhibit P-00773.

We've seen this before; I don't intend to walk through all the exhibits. Page 14, please.

**UNIDENTIFIED MALE SPEAKER:** Just a second.

**MR. BUDDEN:** All the exhibits that Mr. Learmonth very –

**UNIDENTIFIED MALE SPEAKER:** Oh yeah.

**MR. BUDDEN:** – capably walked to.

**MR. LEARMONTH:** (Inaudible) tab 50.

**THE COMMISSIONER:** Tab 50.

**MR. BUDDEN:** Okay.

This is perhaps more for you, Mr. Wilson.

**MR. WILSON:** Okay.

**MR. BUDDEN:** The – this says – the evidence is established both through Mr. Learmonth and near the end of his questioning, Mr. Simmons – appears to have been edited out of an earlier draft of your report. Your – you remember that?

**MR. WILSON:** Yes.

**MR. BUDDEN:** Okay.

Have a good look at it there; look at it carefully, because I'm about to move on to another exhibit, and we don't seem to have the capacity to put them side by side.

And I'm going to do the same thing that Mr. Simmons did and now bring you to page 40 of your final report, which is Exhibit 00058.

**THE COMMISSIONER:** Tab 5 in the big binder.

**MR. BUDDEN:** And I believe it's the very final bullet point that Mr. Simmons brought you to.

Would you agree, Mr. Wilson, that that final bullet point is not – does not convey the risks as thoroughly as they are conveyed in the section that was edited out in the previous exhibit?

**MR. WILSON:** Well, I – the line that is not in here would be the: MHI recommends Nalcor to be cautioned, essentially.

**MR. BUDDEN:** Okay.

Do you believe that that final bullet point is a full and adequate substitution for what was edited out?

**MR. WILSON:** I believe it captures the essence of what was important at the time.

**MR. BUDDEN:** So you –

**MR. WILSON:** Costs estimates were low, but they were within the bands.

**MR. BUDDEN:** So you, as a professional engineer, believe that is a full and adequate substitution for what was edited out?

**MR. WILSON:** Essentially. There's points in this previous paragraph that don't end up in here.

**MR. BUDDEN:** Important points?

**MR. WILSON:** Well, I guess. Yeah. A suggestion to reevaluate. Yes.

**MR. BUDDEN:** Okay. So the answer would be no, you don't regard it as full substitute for what was edited out?

**MR. WILSON:** Well, it is a variant of it.

**MR. BUDDEN:** Okay.

And a variant that is less than what was in the (inaudible) –

**MR. WILSON:** Yeah.

**MR. BUDDEN:** Yes. Thank you.

Okay. Let's move on to – back to you, I guess, Mr. Kast.

The – if the P1 figure had been disclosed to you in this alternate universe, how would that have impacted your analysis?

**MR. KAST:** If the P1 number is a change that would affect the capital cost input value and – that would have been reflected in the CPW, because it's an input to the CPW.

**MR. BUDDEN:** Okay.

Are we talking a few dollars; a few hundreds of millions of dollars? Like, help us out here. How much of a difference would it have made?

**MR. KAST:** I don't know. I can't say at this point.

**MR. BUDDEN:** Okay.

Would it be reasonable to assume it could well have an impact into the hundreds of millions of dollars?

**MR. KAST:** I can't answer that. I don't know.

**MR. BUDDEN:** Okay. Why can't you?

**MR. KAST:** Well, because I don't have that – my database up here doesn't have that information. I don't know. I think –

**MR. BUDDEN:** Okay.

**MR. KAST:** – if it's going to be meaningful, let's make sure that the answer that I give is a solid answer.

**MR. BUDDEN:** Okay.

**MR. KAST:** And you know, it takes – with the fullness of time it can be answered, but I can't answer it on the fly.

**MR. BUDDEN:** Of course, if you had been given it back in the summer of 2012, you would have had the opportunity to answer it.

**MR. KAST:** Well, there are – these questions that you're asking about here, for example, I did get answers. I'm looking at it, and I see any number of questions I did get answers for. Other ones I just don't recollect.

**MR. BUDDEN:** Okay. We're asking now about the P1.

With regard to the P1 if you had been provided with what Nalcor knew at the time, that this was a P1 project with respect to scheduling, I would suggest to you, you would have had the opportunity to work that up using your considerable skills and could have generated a number.

**MR. KAST:** No.

**MR. BUDDEN:** Are you with me?

**MR. KAST:** No. No.

I wouldn't work it up with the P1; I would defer to my colleague. That is an input value that goes into the CPW.

And we work as a team. With their expertise, they would take into account the different effect –

**MR. BUDDEN:** Okay, fair enough.

**MR. KAST:** – of the different P-values.

So if the P-value changes, that's an input into the –

**MR. BUDDEN:** Okay –

**MR. KAST:** – CPW.

**MR. BUDDEN:** – I'll move on to, perhaps, Mr. Snyder.

Perhaps I should have been directing the question to you from the beginning.

If you had been aware that, back in the summer of 2012 when evaluating this, you know, \$6-plus

billion project, what use would you have made of that information that this was a P1 factor? How would it have affected the final numbers? Can you give us any kind of idea?

**MR. SNYDER:** I have no idea what it would have affected in the final numbers, but we would have discussed it with the people that had that information available.

**MR. BUDDEN:** Okay.

The suggestion I'm making that on a project with a capital cost of \$6-plus billion – we're talking hundreds of dollars working from a P1. Did that strike you as generally correct?

**MR. SNYDER:** I can't tell you. I really don't know.

**MR. BUDDEN:** Okay.

Can you tell me, is it closer to a dollar or to a million or beyond a million?

**MR. SNYDER:** I really don't know the difference.

You know, without –

**MR. BUDDEN:** You can't tell me? Can't give me any idea? Not within –

**MR. SNYDER:** Well, it's gonna –

**MR. BUDDEN:** – a hundred million dollars?

**MR. SNYDER:** – be significant, there's no question about it.

**MR. BUDDEN:** Significant meaning hundreds of millions of dollars?

**MR. SNYDER:** More than a dollar.

**MR. BUDDEN:** More than a dollar.

Would it be more than \$100 million?

**MR. SNYDER:** I don't know that.

**MR. BUDDEN:** Okay.

So you can't provide an answer of any sort?

**MR. SNYDER:** No, we'd have to go through the calculation, and you know, there's many components to the CPW, and that's one of the components.

**MR. BUDDEN:** Okay.

The very last question, this is more for you, Mr. Wilson. My understanding – and this really flows out of Mr. Simmons's very last question – is that, while you had access, while writing this report, to a Westney report, you did not at that time – you had not been made aware of the \$497 million strategic risk allowance that was – the Westney report had calculated.

Am I correct there?

**MR. WILSON:** That's correct.

The version of the report I had did not have that information in it.

**MR. BUDDEN:** Okay.

So, guys, I'm gonna try to pull this together a bit. And I've thought about this question, so I'll probably read it for precision. Would you agree that the combined effect of the information that wasn't provided to you – the Westney report's specific number, the P1 factor and scheduling and of the editing done by or at the suggestion of the client, such as the removal of reference to strategic risk of P-factors of some other important material – was to result in a report that made Muskrat Falls appear somewhat more attractive from a cost perspective than it really was.

Mr. Wilson, do you think that's fair?

**MR. WILSON:** I think that's a very, very broad and generalized statement.

**MR. BUDDEN:** Okay.

It is. It's broad certainly.

**MR. WILSON:** Yeah.

**MR. BUDDEN:** To sum it up, do you believe that the effect of these omissions and changes was to make Muskrat Falls appear to be more attractive than it actually was?

**MR. WILSON:** I can't comment on the P1 factor at all because we have no idea exactly what the range of numbers would be. The last one, the last edit where we're talking about sync condensers is a few billion, a few million – tens of million maybe, which would not have a material large impact on the outcome of our report.

**MR. BUDDEN:** Okay.

Are you aware of anything that wasn't provided to you that you've heard about since or any edits that were made to your report that would have reduced the cost of the Muskrat Falls Project?

**MR. WILSON:** In the report, you mean?

**MR. BUDDEN:** No, are you aware of anything that you weren't provided with –

**MR. WILSON:** At the time.

**MR. BUDDEN:** – at the time such as, you know, the Westney report, or that was edited out of your report as it went through its final versions the effect of the inclusion of which would have reduced the cost of the Muskrat Falls Project?

**MR. WILSON:** I'm not aware of anything at this time, no.

**MR. BUDDEN:** But you are aware of certain things that if you had been aware of and had included them, or which hadn't been edited out would have added to the cost of the project. You're with me so far?

**MR. WILSON:** If you're speaking with the strategic risk?

**MR. BUDDEN:** I'm speaking about all of it.

**MR. WILSON:** All of it?

**MR. BUDDEN:** The strategic risk, the P1, the edits to page 14 of Exhibit 00773, the absence of the Westney report: all of it. I'm suggesting the effect of those omissions and edits was to add – or was to reduce the cost of the Muskrat Falls Project. Would you agree with me?

**MR. WILSON:** I think we have to be very careful here to be very clear, you know. In our process and in our deliberations, you know, we would be reviewing these in – with an eye of what is the impact on the final outcomes for sure. But we want to make sure that we're reporting the correct facts that we were given at the time. And that's what we've done.

**MR. BUDDEN:** But you can only report what you – what has in turn been disclosed –

**MR. WILSON:** Provided –

**MR. BUDDEN:** – to you.

**MR. WILSON:** Exactly, yeah.

**MR. BUDDEN:** And let's break it down a bit. I'm suggesting that all of what wasn't disclosed to you that you subsequently became aware of, would've added to the cost of the Muskrat Falls Project. Are you with me so far?

**MR. WILSON:** Well, we reviewed base cost estimates as one of the things. And if there's information that was not provided to us that had impact on those costs, yes –

**MR. BUDDEN:** Okay.

**MR. WILSON:** – I agree with you there, yes.

**MR. BUDDEN:** And I would suggest to you the impact of the edits that were made as the thing worked its way through its various drafts – the impact of those edits would also be to reduce the cost of the Muskrat Falls Project, or at least the perception of that cost to a reader.

**MR. WILSON:** I don't believe that's true, no.

**MR. BUDDEN:** You don't believe that's true?

**MR. WILSON:** It's – some elements you can maybe construe it that way, but I don't believe that overall that that's what we were trying to achieve here. We were trying to achieve a document that was factually correct.

**MR. BUDDEN:** Okay.

**MR. WILSON:** Yeah.

**MR. BUDDEN:** I'd like to make a distinction here between what you were trying to achieve and perhaps what your editor was trying to achieve. We'll get to him in a few days, but – so you're saying you weren't trying to slide the report so that it reduced the apparent cost of the Muskrat Falls Project. I – you are confirming that you weren't certainly consciously trying to do that.

**MR. WILSON:** Well, in no way, no.

**MR. BUDDEN:** Okay.

**MR. WILSON:** Not.

**MR. BUDDEN:** Do you not see the impacts of the edits on your work was to have that effect? Do you not see that now?

**MR. WILSON:** There's certainly a number of wordsmithing and language edits to change, you know, negative connotations to positive and things like that.

**MR. BUDDEN:** Thank you.

**MR. WILSON:** Certainly, yeah.

**MR. BUDDEN:** Okay.

**MR. KAST:** Sir, can I just add to that, please?

**MR. BUDDEN:** Well, I haven't asked you the question, but answer it.

**MR. KAST:** Well, it's the same, but what I want to say is that with respect to the individual points, whether they serve to reduce the cost of the Interconnected Option, the point I want to make is that from a CPW analysis – and we were to find which option was the best using the CPW analysis, and what we did in the CPW analysis was to introduce sensitivities. And the sensitivities were designed to say if the costs increased – and I just don't have the page reference in front of me but, for example, if the capex increased 25 per cent for the Interconnected Option, here's what the impact is.

So when you look at that, there was small items in there. Any one item might well have served to reduce the cost, I don't know, but there could be

some others that are going to increase the cost. So the sensitivity analysis gives you that comfort zone around which that one number was designed to report.

**MR. BUDDEN:** That's a point you've been trying to make repeatedly through evidence, yes.

**MR. KAST:** Well, I think it's so significant because we don't want to get caught up in the minutia; we want to say how does it look, relatively, when you look on the horizon? Here's a line. Is it tied up here or is it down here sort of thing? But we're still in the zone that it's still the right decision to make.

**MR. BUDDEN:** Not to get into debate with you, but I would answer two things: one, there's nothing minute about \$497 million or whatever the P-factor works out to; and secondly, you are aware that Grant Thornton concluded on page 9 of its report – we can bring it up if you want – that their belief that the cost of the Isolated Island Option was possibly overstated.

**MR. KAST:** Well, I think we – you need to take a serious look at that statement.

**MR. BUDDEN:** Okay and –

**MR. KAST:** We had PIRA costs in there, and I said yesterday that the PIRA costs are only forecasted out to 2027; 2 per cent a year after that.

**MR. BUDDEN:** Okay.

Well, that's a whole other set of questions, a whole –

**MR. KAST:** Well, it's –

**MR. BUDDEN:** – other set of witnesses.

**MR. KAST:** – just let's bring balance.

**MR. BUDDEN:** But if you have nothing to add to what Mr. Wilson had to say, his general point about –

**MR. KAST:** I do. I do have a point to make, and that is that we – you can't take one single item with precision and say that it was – the

barometer went a little bit this way and then something was overstated.

All I'm saying is when we look at the thing we need to bring a zone of reasonableness. None of us in this room were on site. So what we have to do is take the data we have and put some buffers around it. And that's what we were trying to do with the sensitivity analysis; if the costs go up here, if the costs go up here, if fuel prices go up, go down and so on. And then in that zone, how do you feel about the end result?

**MR. BUDDEN:** We've heard from Mr. Wilson on his thought as to the impacts of the edits. So your thought is different.

**MR. KAST:** Well –

**MR. BUDDEN:** The edits. We're talking about edits.

**MR. KAST:** Well, the specific comments with respect to the edits may serve to increase or reduce – what I'm interested in is: Are we still in the zone?

**MR. BUDDEN:** Well, with all respect, that's not what I'm interested in so we'll move on.

**MR. KAST:** Okay.

**MR. BUDDEN:** The – you had some interesting comments – I believe Mr. Snyder did as well – about edits. And first I'll ask Mr. Snyder. I think your very last – one of your very last comments was in reply to Mr. Simmons's question about the – I guess the purpose or the interplay with clients with respect to edits. And you said in some places in the world you don't allow the client to edit. Can you elaborate on that a bit?

**MR. SNYDER:** Yeah, what I said was the political situation in some of the places we deal with, you know, are so difficult that you can only present your one side of the picture, and that's our side of the picture. And there's no room for interpretation because they have a political will and, you know, so we really don't deal –

**MR. BUDDEN:** I'm not laughing at you. I'm sorry, I apologize. Just the thought of political

will somewhat distracted me, but anyway, perhaps I – continue with your answer.

**MR. SNYDER:** No, I – you know, I'm – what I'm saying is that, you know, in this part of the world, you know, and I said, you know, mostly Canada and the United States, where we've dealt with reasonable governments, reasonable clients, you know, we discuss the options.

**MR. BUDDEN:** Okay.

Did you feel, here, there is an – for Canada – for the kind of work you do in Canada, there is an unusual degree of push back on the editing? I'll ask you, since we're talking, Mr. Snyder. Is this, in your lengthy experience – you've got a, I understand, an engineering degree from 1964 and an MBA from 1976, you know, you are a voice of experience in this room, was this an unusual degree of editorial input from the client?

**MR. SNYDER:** No, it was not.

**MR. BUDDEN:** Really. Yeah.

**MR. SNYDER:** Yes.

**MR. BUDDEN:** Okay.

So these kind of edits are par for the course for Manitoba Hydro?

**MR. SNYDER:** Par for the course –

**MR. BUDDEN:** International?

**MR. SNYDER:** – for other places that I've dealt with in business, whether in Alberta or BC.

**MR. BUDDEN:** Okay.

You as well, Mr. Wilson?

**MR. WILSON:** Yeah, that's correct, yes.

**MR. BUDDEN:** That surprises me.

So, you're saying that it is customary that a client, on an independent report, would be allowed to, perhaps, edit the strategic risk section so that it's become significantly more innocuous – that's standard practice?

**MR. WILSON:** Well, it's standard practice for us.

**MR. BUDDEN:** Okay.

**MR. WILSON:** You know.

**MR. BUDDEN:** That's very good.

There was testimony yesterday – I think it was you, Mr. Wilson, but if I'm wrong, one of the other gentlemen it may well be 'cause I didn't write down the author – there's testimony that the July '17 target date for completion of the project was accepted because – what I wrote down, the – it was felt that the project team was generally hopeful at making this date. Do you recall that evidence?

**MR. SNYDER:** Yes, I do.

**MR. BUDDEN:** Okay. Is that a – accurately capture what was said?

**MR. SNYDER:** Yes.

**MR. BUDDEN:** Okay.

I guess I was surprised by that. Isn't the purpose of an independent review to look beyond, I guess, the optimism of the project team? Project teams are always going to be generally hopeful, I would suggest. That's their nature; they're giving their lives to this. But isn't the purpose of an independent review, perhaps, to be a little colder; a little more critical?

**MR. SNYDER:** I believe that we were critical. We did discuss with the various components from Nalcor as to where they were with the project and what they thought they could achieve in what period of time.

**MR. BUDDEN:** And you thought, in your heart, that that was a realistic – that they were realistic about this.

**MR. SNYDER:** Given the information that we had at that particular point in time, yes.

**MR. BUDDEN:** Okay.

If you'd known it was a P1, you never would have concluded that, I would assume.

**MR. SNYDER:** Well, you know, like I said previously, I would've had further discussions with the people, yes.

**MR. BUDDEN:** Yeah, I mean, optimism is all very well, but all the optimism in the world isn't gonna get you from P1 to an on-time completion date, I would suggest.

**MR. SNYDER:** You're probably right.

**MR. BUDDEN:** Okay.

Perhaps we can briefly just go back to Exhibit P-00004 – hopefully it'll come up faster this time – and back to page 28. Yeah, just if we can scroll, so like last time, I can see those last two paragraphs centered. Thank you.

I'll read the first sentence of the second paragraph: "Project reviews and audits can surface potential political bias in projects, e.g. the suppression of bad news."

Would you agree, Mr. Snyder, that the failure to disclose the P1 and, Mr. Wilson, the failure to disclose the full Westney report was – are examples of suppression of bad news? Would you agree, firstly, Mr. Snyder?

**MR. SNYDER:** Well, firstly, I, you know, having not seen them, I couldn't say that it was suppression of bad news because I didn't know that it existed.

**MR. BUDDEN:** Okay. So it was bad news; we're agreed there. If you're trying to get a project done at time, the factor there's a P1 out there is bad news.

**MR. SNYDER:** Well, I suggested earlier that I would've wanted to discuss the issue with, you know, first of all, the issue of the report, because one person says it's a P1, does that make it correct? Not so.

**MR. BUDDEN:** You'd want to know who said it.

**MR. SNYDER:** I'd want to know who said it and wanna discuss it with them.

**MR. BUDDEN:** Okay, but at least it's bad news and if not – let's get past the word suppressed – at



least it's bad news that was never brought to your attention.

**MR. SNYDER:** It was news that was never brought to our attention.

**MR. BUDDEN:** Okay.

**MR. SNYDER:** I don't know whether it was bad news or not because I don't know whether it was P1 at the time or whether it was P6 or – I don't know, you know, what the reasonable number was, at that particular point in time.

**MR. BUDDEN:** P6 is hardly happier news, is it?

**MR. SNYDER:** Well, I'm being facetious, I don't know what –

**MR. BUDDEN:** Yeah.

**MR. SNYDER:** – you know, what the P would've been, and would've talked to people about it.

**MR. BUDDEN:** Mr. Wilson, the P – rather the 497 million in strategic risk referred to in the suppressed Westney report, I'll call it, that clearly would've been bad news.

**MR. WILSON:** I –

**MR. BUDDEN:** Not good news.

**MR. WILSON:** Well, we weren't, you know, aware of the number.

**MR. BUDDEN:** Okay.

**MR. WILSON:** We (inaudible) that many times.

**MR. BUDDEN:** All right. Were there any examples at all that you can think of, Mr. Wilson, where you would've pushed back against a suggested edit? One single example you could think of?

**MR. WILSON:** We pushed back on reliability a fair bit.

**MR. BUDDEN:** Did you?

**MR. WILSON:** Transmission line reliability, whereas – I don't recall specific edits, but I know Gerry Proteau was firm on (inaudible) –

**MR. BUDDEN:** I'm having a little trouble hearing you, I'm sorry.

**MR. WILSON:** Oh, sorry. Gerry Proteau was firm in his reports on transmission line: the assessments, the costs, the reliability of the transmission line portion of that report.

**MR. BUDDEN:** So he pushed back?

**MR. WILSON:** Well, I don't recall specific instances of push back, but I –

**MR. BUDDEN:** Okay.

**MR. WILSON:** Maybe I shouldn't have gone there. There's, you know, I'm guessing at this point, I'm –

**MR. BUDDEN:** Okay. So you can't point to a firm example of a case where an edit would've suggested that you pushed back against him?

**MR. WILSON:** Not in my recollection.

**MR. BUDDEN:** Okay, thank you.

Do you believe that MHI appropriately exercised its responsibility to provide checks and balances on the project team and on the client?

**MR. WILSON:** Can I go back to the previous question?

**MR. BUDDEN:** Sure.

**MR. WILSON:** I'm recalling there was an email now where we did push back on a number of issues.

**MR. BUDDEN:** Okay. Can you point to that email?

**MR. WILSON:** You know, escalation and contingency, that's one of them.

**MR. BUDDEN:** But where is that email?

**MR. WILSON:** It's in the exhibits actually.

**MR. BUDDEN:** Can you point me to it?

**MR. WILSON:** Not at this time. I don't know the exhibit number.

**MR. BUDDEN:** Okay.

**MR. WILSON:** It's in our witness –

**MR. BUDDEN:** Well –

**MR. WILSON:** – book here.

**MR. BUDDEN:** – think about it. Perhaps with a later witness you can bring it up or we'll find some other way of dealing with it. Maybe through your own lawyer.

You know why we're here of course, we're having a public inquiry because this project is years late and billions over budget. You're aware of that, obviously?

**MR. WILSON:** Now.

**MR. BUDDEN:** You are now, yeah. Your first public inquiry?

**MR. WILSON:** My first, yes.

**MR. BUDDEN:** You guys too?

**MR. WILSON:** Well, other than the PUB inquiry; other than the PUB inquiry that was here in Newfoundland.

**MR. BUDDEN:** Okay, yes. First time you've ever been on the stand defending your work?

**MR. WILSON:** Second time actually.

**MR. BUDDEN:** Okay, well, you've said that, you know, you acknowledge that you were hired to be external independent analysts within the scope of your terms of reference. You've also acknowledged that you knew that the people of Newfoundland would be reading your report; the client and the people of Newfoundland. You remember telling me that 10 minutes ago?

**MR. WILSON:** I suspected so, yes.

**MR. BUDDEN:** Yeah.

Do you believe that a person coming to this report cold, without access to inside information, an educated voter, a backbench MHA, somebody who cares enough to read your report carefully, would they have been left with an accurate understanding, from your report alone, of the true status of the Muskrat Falls Project with respect to its likely schedule and cost?

**MR. WILSON:** I believe our report was an accurate representation of the facts that were presented to us at the time, yes.

**MR. BUDDEN:** Okay, we'll get to that. But to answer my question, think of the reader: Is the reader being put in an informed place?

**MR. WILSON:** I believe so, yes.

**MR. BUDDEN:** Really?

**MR. WILSON:** Yeah. Yeah.

**MR. BUDDEN:** Without the Westney report information? Without the P1s?

**MR. WILSON:** Well, these are things that we did not know at the time.

**MR. BUDDEN:** Yes, but you're getting to my – you're answering your question.

**MR. WILSON:** Yeah.

**MR. BUDDEN:** I want you to answer my question. Was – would a reader, this informed citizen of Newfoundland, trying to decide what is the best thing to do for the future of our, relatively poor, province: Would that person, after reading your report, be as informed as they should have been?

**MR. WILSON:** I don't know. I –

**MR. BUDDEN:** You don't know. Why don't you know?

**MR. WILSON:** I – I can't –

**MR. BUDDEN:** The answer is no, isn't it?

**MR. WILSON:** Well, perhaps. Yeah.

**MR. BUDDEN:** Yeah. Okay.

I have to say, I've been a little surprised at your demeanour. Maybe it's just, you know, Western politeness or something. But your – the harshest thing I've heard you say, so far, is you're a little surprised. Yet, you're here on the stand, being examined about some pretty glaring – I would suggest – omissions from your report.

I would suggest to you that if there are failures of a report – I guess, I'll ask you: To who should be blamed for the failures of your report? You or the client, in this instance?

**MR. WILSON:** (Inaudible) the terms of my demeanour, I am angry inside, actually, a little bit. That's – I have to admit. Over the whole –

**MR. BUDDEN:** Who are you angry at, Mr. Wilson?

**MR. WILSON:** Well, the whole situation, like –

**MR. BUDDEN:** Oh, let's be a little more – are you angry at me?

**MR. WILSON:** No, no.

**MR. BUDDEN:** Are you angry at the Commissioner?

**MR. WILSON:** No, no.

**MR. BUDDEN:** So who are you angry at?

**MR. WILSON:** At the situation, I guess. But –

**MR. BUDDEN:** Well, tell me more. Who are you angry at?

**MR. WILSON:** Well, now I'm sorry I brought it up.

**MR. BUDDEN:** I'm not. Who are you angry at?

**MR. WILSON:** (Inaudible.) I'm angry –

**THE COMMISSIONER:** So can we spend our time a little bit more –

**MR. WILSON:** Yeah.

**THE COMMISSIONER:** – reasonably? I don't really care who he's angry at, right, at this stage of the game.

**MR. WILSON:** Yeah.

**THE COMMISSIONER:** I just assume – let's get to the detail here.

**MR. BUDDEN:** I think it's important, Mr. Justice, and why I think it's important because – I think he's angry because he's been left here to defend something while not having been properly informed so as to be able to do his job.

**THE COMMISSIONER:** Well I –

**MR. BUDDEN:** Perhaps I'll ask you that.

**THE COMMISSIONER:** Well, you can ask that question. But otherwise, to leave it open and just say, "tell us why you're angry" is not helpful to me.

**MR. BUDDEN:** Okay. Well, I thought he was getting there.

**MR. WILSON:** (Inaudible.)

**MR. BUDDEN:** But are you angry at your client for not having given you such important information and leaving you here at a public Inquiry to defend a flawed report?

**MR. WILSON:** Partially, yes.

**MR. BUDDEN:** Okay.

**MR. WILSON:** Yes, yeah.

**MR. BUDDEN:** Thank you.

**MR. WILSON:** But I – not (inaudible) the client, the Government of Newfoundland, but at Nalcor for not disclosing this information.

**MR. BUDDEN:** Okay.

Thank you.

**MR. KAST:** Just a second, I –

**MR. BUDDEN:** Sir, were you asked?

**MR. KAST:** Well, it's just –

**MR. BUDDEN:** Were you asked a question?

**MR. KAST:** The intimation about a flawed report – I was involved in the report.

**MR. BUDDEN:** Yeah, and it was a flawed report. Are you denying that?

**MR. KAST:** Well, let me express my view to that. I was author as well. And I think we did, given the circumstances at the time and when you turn the clock back, I think we did a darn good job. I think the CPW reflects very well in terms of what we did.

**MR. BUDDEN:** So you're going to die on CPW hill?

**MR. KAST:** You bet, that's what –

**MR. BUDDEN:** Okay –

**MR. KAST:** – the whole purpose –

**MR. BUDDEN:** – fair enough.

**MR. KAST:** – of the exercise was.

**MR. BUDDEN:** All right.

I'm gonna zoom out now; just ask you a couple more specific questions.

I'm going to read you a little bit from – and here we go. There's an interesting passage at page 10 and 11 of your transcript. I'll just read it to you, or at least the highlights of it.

And I think this is more for Mr. Snyder, but I'll read it as follow – Mr. Learmonth is asking you if there were other omissions, I believe, and Mr. Wilson, quote: There's other areas, there were other areas we had concerns with which we may have just not had the information. Mr. Learmonth said: Okay, what are those other areas? And I'll skip a bit.

And you said a couple of things. Then he said: Anything else? And then you said: And some concerns about that escarpment up at Muskrat Falls as well, Allan do you remember? And Mr. Snyder said: There was concerns related to the –

I believe it was a non-overflow dam and whether or not it was going to be stable enough. Mr. Wilson said: Yes, that was the slope. And Mr. Wilson said: And I don't know if they had enough information for us to review at that point either.

Gentlemen, was that the North Spur you were referring to?

**MR. SNYDER:** Yes.

**MR. BUDDEN:** Thank you.

Did – and I think this one is for you, Sir, but I'm not certain. Did MHI consult its own Strategist studies or did you rely on Nalcor studies?

**MR. KAST:** I'm going to defer to my colleague.

**MR. BUDDEN:** Mr. Snyder? Okay, my mistake.

Are you able to answer that?

**MR. SNYDER:** We didn't have access to Strategist.

**MR. BUDDEN:** You did not. Okay.

**MR. SNYDER:** No.

**MR. BUDDEN:** MHI didn't have that model, I assume?

**UNIDENTIFIED MALE SPEAKER:** No, we don't.

**MR. BUDDEN:** And you weren't in a position to use Manitoba Hydro's?

**MR. SNYDER:** Manitoba Hydro would have had different components altogether.

**MR. BUDDEN:** Okay.

I'm going to ask you a few questions now at – we're going to turn to Exhibit P-00058, which is your final report. And we'll zoom in to particular sections, but I thought we'd just have it there in front of us.

Part of your mandate – and this, Sir, may be more for you but again, whoever feels appropriate can answer this, I don't really care.

Part of your mandate in this report, I would suggest, was to review the load prediction, the demand forecast which had been generated by Nalcor. That's correct is it not?

**MR. KAST:** Yes –

**MR. SNYDER:** That is correct.

**MR. BUDDEN:** That's you, is it –

**MR. KAST:** Yes.

**MR. BUDDEN:** – Mr. Snyder?

**MR. SNYDER:** Yes.

**MR. BUDDEN:** Okay.

I – and perhaps we can go to page 24 of that report, and I'm looking at the section under Forecast Accuracy. And –yeah, we can freeze it right there, if you would.

Could you just read those first two sentences, Mr. Snyder, if it's convenient?

**MR. SNYDER:** “A reasonable performance measure for forecast accuracy is a maximum forecast deviation of  $\pm 1\%$  per year. A 10-year-old forecast, for example, should be within  $\pm 10\%$  of the actual energy load observed.”

**MR. BUDDEN:** Okay.

So that's a 10 year. So does it follow that a 15 year would be plus or minus 15 per cent?

**MR. SNYDER:** Yes.

**MR. BUDDEN:** And a 50 year be plus or minus 50 per cent?

**MR. SNYDER:** We really don't know. I mean, you know, you go out 20 years on a load forecast is as far as anybody goes.

**MR. BUDDEN:** Not in this case.

**MR. SNYDER:** Well, in this case we're – you know, we're looking at what the zone of reasonableness is for, you know, for the entire load.

**MR. BUDDEN:** Okay.

But you just said two things there. You said that a 20-year forecast is far as anybody goes, but you would acknowledge that in this instance Nalcor went much –

**MR. SNYDER:** Normally.

**MR. BUDDEN:** – farther than that. Pardon?

**MR. SNYDER:** What we've suggested is it's probably the Nalcor group had under predicted future energy needs at a rate of about 1 per cent per year.

**MR. BUDDEN:** Okay.

And that a forecast model that was within 1 per cent you thought was adequate?

**MR. SNYDER:** Yes.

**MR. BUDDEN:** But if you're going out into the periods of time at the outer ends, or even the mid-ends of their prediction model, you're going way beyond 10 years, aren't you? You're going way beyond that.

**MR. SNYDER:** We – I mean, we had a summary of the detail that they had provided us, which was out 10 years, and extrapolated that into the future.

**MR. BUDDEN:** So what Nalcor did in this instance, you believe, was in accordance with best practices for predicting energy forecast, energy load, load forecast into the –

**MR. SNYDER:** It was within the zone of –

**MR. BUDDEN:** – (inaudible).

**MR. SNYDER:** – reasonableness, which a majority of utilities do across Canada.

**MR. BUDDEN:** Are you aware of a utility attempting to forecast 50 years out to feed into a CPW analysis?

**MR. SNYDER:** Yes.

**MR. BUDDEN:** Okay.

Where else has it been done?

**MR. SNYDER:** Manitoba Hydro.

**MR. BUDDEN:** Okay.

Other than Manitoba Hydro, are you aware of it being done?

**MR. SNYDER:** I would suspect Hydro-Québec is, too, because of the size of their hydro development.

**MR. BUDDEN:** Okay.

**MR. SNYDER:** But I don't –

**MR. BUDDEN:** They are both –

**MR. SNYDER:** I don't know that.

**MR. BUDDEN:** Okay, thank you.

If we could move onto the next page, which is page 25. There's an assertion there – I'm trying to find it here now. Perhaps scroll down a tiny bit more. Yeah, under Summary. Can you just read that first sentence?

**MR. SNYDER:** "Regression models for the domestic sector are well founded and produce reasonable results."

**MR. BUDDEN:** Okay.

**MR. SNYDER:** "...2012 Interconnected Island option increased ..." the "load by –"

**MR. BUDDEN:** There's – it's the first sentence really, Mr. Snyder, I'm sorry, I'm interested in.

In this case, do you believe that – or are you aware of any regression models that attempt to predict 50 years out?

**MR. SNYDER:** Yes, Manitoba Hydro's.

**MR. BUDDEN:** Okay.

And has that produced reasonable results?

**MR. SNYDER:** Yes, it has. I mean, the – with the exception of industrial loads, which are subject to a lot of other conditions.

**MR. BUDDEN:** Okay.

In this case do reasonable and reliable mean the same thing?

**MR. SNYDER:** Yes, I would think that they are.

**MR. BUDDEN:** So if you're going out 50 years, plus or minus 50 per cent you would regard as a reasonable result?

**MR. SNYDER:** If you were going out 50 years, yes.

**MR. BUDDEN:** As Nalcor did?

**MR. SNYDER:** Yeah.

**MR. BUDDEN:** Okay.

Are you aware –?

**THE COMMISSIONER:** Mr. Budden, I just wonder, is this perhaps an appropriate place to break for lunch now or ...?

**MR. BUDDEN:** Sure. I don't have a lot more, but perhaps we can break for lunch.

**THE COMMISSIONER:** Okay. Did you want – it's up to you.

**MR. BUDDEN:** No, I'm happy to break.

**THE COMMISSIONER:** Okay.

**MR. BUDDEN:** Thank you.

**THE COMMISSIONER:** All right.

So we'll adjourn until 2 o'clock this afternoon.

**MR. BUDDEN:** Thank you.

**CLERK:** All rise.

**Recess**

**CLERK:** All rise.

This Commission of Inquiry is in session.

Please be seated.

**THE COMMISSIONER:** All right, Mr. Budden.

And you gentlemen remain under oath at this time.

**MR. BUDDEN:** Gentlemen, as you recall – this is for Mr. Snyder in particular – when we broke I was asking you some questions about the load forecast, the demand forecast, and we were back and forth on that a little bit.

Just, I guess, to wrap that up, are you aware – that, of course, was done the summer of 2012. Are you aware that barely six years out of that, some key elements of that forecast, such as the population projections, are already deviating significantly from what was forecast? And in particular, the demand growth six years out is trending significantly lower than was forecast; (a) are you aware of that?

**MR. SNYDER:** No.

**MR. BUDDEN:** Okay.

Does it surprise you that the forecast, even in this early time frame, would be varying so much from reality?

**MR. SNYDER:** Yes, it does surprise me.

**MR. BUDDEN:** Okay.

Did you folks review the Nalcor price elasticity model, the model they used in their load forecast calculations?

**MR. SNYDER:** I can't really say that. Craig Kellas was involved in it –

**MR. BUDDEN:** Okay, so –

**MR. SNYDER:** – directly.

**MR. BUDDEN:** – I have a couple of questions here about the coefficient of elasticity used and so forth. Are you knowledgeable enough to speak to those?

**MR. SNYDER:** Try me.

**MR. BUDDEN:** Okay.

Were you aware of what the coefficient of elasticity – what was used, what the figure, the percentile –

**MR. SNYDER:** I don't know what the figure was that was used.

**MR. BUDDEN:** Okay, if I were to suggest to you it was 3 per cent, does that strike you as correct?

**MR. SNYDER:** It would be close, yes.

**MR. BUDDEN:** Okay.

And, again, this – perhaps you can speak to this, perhaps you can't. Have you or did MHI consider the impact on price elasticity of the rate increases that were likely to flow from the implementation of the Power Purchase Agreement?

**MR. SNYDER:** I'm sure they did.

**MR. BUDDEN:** Okay.

**MR. SNYDER:** I'm sure that Craig did.

**MR. BUDDEN:** Okay, you looked like you were going to say something, Mr. Wilson?

**MR. WILSON:** I just think – I'm not sure. I don't know.

**MR. BUDDEN:** Okay.

**MR. WILSON:** I don't know personally.

**MR. BUDDEN:** Okay.

So I guess my question for you is: Was MHI comfortable or did you approve of the – of how Nalcor – firstly, of the coefficient that they used, the percentage they used. And I think – presume the answer to that would be, yes.

**MR. SNYDER:** I would guess it would be yes.

**MR. BUDDEN:** Okay.

**MR. SNYDER:** And I don't know that for sure.

**MR. BUDDEN:** All right.

Perhaps we could go back to Exhibit 00058. And there's a section there on at 26 I would like to look at, the section in bold face – page 26, of course.

The conclusion that is there in boldface, and I'll just read it, it's quite short: "MHI finds that the Interconnected Island Load Forecast is well founded and appropriate as an input into the Decision Gate 3 process."

Firstly, that – is that a conclusion that went through edits or is that basically what was the conclusion of MHI right through this editing process? Are you able to speak to that, Mr. Wilson?

**MR. WILSON:** I'd have to go back and review the drafts that I have –

**MR. BUDDEN:** Okay. Do –

**MR. WILSON:** – before I can make a statement on that.

**MR. BUDDEN:** Okay.

Do you have any recollection of that having been shaped by the editing process?

**MR. WILSON:** No, I do not.

**MR. BUDDEN:** Okay. And that's a conclusion that MHI stands by?

**MR. WILSON:** Yes.

**MR. BUDDEN:** Okay. And did that conclusion come about through any pressure or interplay of any sort between you and the client?

**MR. WILSON:** No.

**MR. BUDDEN:** Okay.

The last couple of questions, the – you're familiar, of course, in the general way with the Maritime Link, the aspect of the broad Muskrat Falls Project involving the construction of a

connection between Newfoundland and Nova Scotia.

Was it – my understanding is that MHI – that your mandate did not include, either for the PUB or for the Government of Newfoundland and Labrador, an examination or any kind of assessment of the deal with Emera generally. Am I correct on that?

**MR. WILSON:** That's correct.

**MR. BUDDEN:** Okay.

So whether the impact of that deal is significant or insignificant is simply beyond the scope of your retainer.

**MR. WILSON:** That's correct.

**MR. BUDDEN:** Okay.

Thank you. I've no further questions.

**THE COMMISSIONER:** All right, thank you.

Edmund Martin.

**MR. SMITH:** No questions.

**THE COMMISSIONER:** Oh, no questions? Sorry.

Kathy Dunderdale.

**MS. E. BEST:** Good afternoon.

I'm Erin Best. I'm counsel for Kathy Dunderdale, our former premier.

Do you agree that MHI was asked to complete a reasonableness assessment on all the inputs into the – into Nalcor's CPW analysis?

**MR. WILSON:** As outlined in our terms of reference? Yes.

**MS. E. BEST:** Thank you.

And in fact, Mr. Kast, I think you said this morning something along the lines of: It's important for us to make sure that the ingredients going into the CPW are credible ingredients?



**MR. KAST:** Yes, that's correct.

**MS. E. BEST:** Thank you.

And you did, in fact, do that, right? Your report includes a reasonableness assessment of all the inputs into that CPW analysis, right?

**MR. WILSON:** That's correct. Yes.

**MS. E. BEST:** Okay.

And those inputs include the capital cost estimates for the Muskrat Falls Project. And when I say that I mean the generating station, the Labrador Transmission Assets and the Labrador-Island Link?

**MR. WILSON:** That's correct.

**MS. E. BEST:** Thank you.

Now, in your executive summary, you reference the present value of the capital assets for the Interconnected Option as 6.2 billion.

**MR. WILSON:** That, yeah –

**MS. E. BEST:** That's –

**MR. WILSON:** – that's my recollection, yes.

**MS. E. BEST:** Thank you.

And in your report, in your executive summary, actually, Madam Clerk, I wouldn't – would you mind taking me there, please?

**MR. KAST:** Just –

**MS. E. BEST:** P-00058?

**MR. KAST:** – can I just interrupt for a second?

**MS. E. BEST:** Yes.

**MR. KAST:** Can you point me to that number? I wanna make sure, from my perspective.

**MS. E. BEST:** Yes, that's P-00058, page 7.

**MR. KAST:** Let's turn that up for a second.

**MS. E. BEST:** I believe you call it 6,202 million, which is 6.2 billion.

Now you can see where the cursor is there – capital costs.

**MR. KAST:** Yeah. (Inaudible) capital costs. Okay.

**MS. E. BEST:** Okay?

**MR. KAST:** Okay, I see it.

**MS. E. BEST:** So –

**MR. KAST:** Thank you.

**MS. E. BEST:** Thank you. If we could go to page 9, please, Madam Clerk.

And just if you could scroll down a little bit further. That should do it. Thank you.

So, you state here, under the heading of Muskrat Falls Generating Station, right in the middle of the page there. You can – if you read through there, we can see the reference to cost estimate there in the first sentence. And then the second sentence, the proposed schedule. And then I want you to look at the next sentence, and the part that starts where it says "... MHI considers the Decision Gate 3 cost estimate to be an AACE Class 3 and thus would be considered reasonable for a Decision Gate 3 project sanction."

So you stand by that finding?

**MR. WILSON:** Yes, I do.

**MS. E. BEST:** Thank you.

And then the next line speaks to the transmission assets: "... been appropriately designed and scheduled ..." and again refers to the cost estimate, which is consistent with good utility practice.

So, you found that cost estimate to be reasonable. Is that right?

**MR. WILSON:** That's correct.

**MS. E. BEST:** Okay.

And if we could just, please, scroll up, Madam Clerk, just a little. That's fine; thank you.

So, I'm just looking at – I'm just putting together the three aspects of the project that we have been talking about. So we have covered two: the generating station and the LTA, the transmission assets, and then right here the Strait of Belle Isle crossing. That's Labrador-Island Link, right?

**MR. WILSON:** That, I believe, is just the crossing itself.

**MS. E. BEST:** The crossing –

**MR. WILSON:** Yeah.

**MS. E. BEST:** – itself, okay.

And the last line there: "MHI considers that the marine crossing is viable, within the AACE Class 3 estimate range, and that it can be completed as planned within the allotted time frame." Right?

**MR. WILSON:** Yes.

**MS. E. BEST:** That's your conclusion?

**MR. WILSON:** Yes.

**MS. E. BEST:** So that cost estimate certainly was found to be reasonable to you, right?

**UNIDENTIFIED MALE SPEAKER:** Yes.

**MS. E. BEST:** Thank you.

And you can't even do a proper CPW analysis if your cost estimate is not found to be reasonable, right?

**MR. WILSON:** Mack (inaudible).

**MR. KAST:** Well, that's correct. It's the inference that you're making, yes. If you don't put the correct numbers in, you're not going to get the correct answer coming back.

**MS. E. BEST:** Okay. Thank you.

Okay, moving on, I'm gonna just – and I'm not going to spend very much longer with you guys,

I just have – I just picked up on something that Mr. Learmonth had asked you about the use of the word: sanction. And he pointed out – sorry, the use of the word sanction in your report – and he pointed out, I believe, on page 59, where it talked about the design, the construction planning, the cost estimate, all – were all sufficiently detailed to support a DG3 project sanction.

And I actually wanted to go to page 58, Madam Clerk, please, because I think there are another couple of places where you actually refer to your analysis having – supporting project sanction.

So, page 58. Yes, so the line at the bottom of your screen there, which is bolded, which I believe indicates that it's a conclusion. It's also in a different colour, it's in brown as opposed to the un-bolded black font. And, I believe, it says there as well: *"Based on the amount of engineering and levels of costs provided, MHI considers the Decision Gate 3 cost estimate to be an AACE Class 3 estimate and therefore would be considered reasonable for the Decision Gate 3 project sanction stage."*

Now, is that a typo or is that all correct what's written there?

**THE COMMISSIONER:** That would be page 55 of your copy if you're (inaudible).

**MR. WILSON:** My copy –

**MS. E. BEST:** Oh, sorry about that.

**MR. WILSON:** – (inaudible).

**MS. E. BEST:** Yeah, I'm talking –

**MR. WILSON:** Okay, I just (inaudible).

**MS. E. BEST:** – about the exhibit page.

**MR. WILSON:** (Inaudible.)

**THE COMMISSIONER:** He's using –

**MR. WILSON:** This is the same as this one here.

**UNIDENTIFIED MALE SPEAKER:** That's what I meant.

**MR. WILSON:** Yeah. Okay.

Now, I'm in sync, what was the question, exactly?

**MS. E. BEST:** Good, thank you.

So I just – I've brought you to the conclusion there that's in brown.

**MR. WILSON:** Mm-hmm.

**MS. E. BEST:** And I asked you if that's correct, what you had written there and that there aren't any typos there.

**MR. WILSON:** This is what we written. We ended off with, you know, project sanction stage, and maybe, you know, I'll just clarify one thing here. Stage Gate is basically the process that Nalcor is following; Decision Gate 2, Decision Gate 3, beyond. So, the work we've done here is as input into that decision. We aren't making the project sanction –

**MS. E. BEST:** Into the –

**MR. WILSON:** – decision.

**MS. E. BEST:** – Decision Gate 3 project sanction stage?

**MR. WILSON:** Yes.

**MS. E. BEST:** Thank you.

And just above actually, if you can scroll up, please, Madam Clerk, on page 57, and stop there. Thank you.

The other conclusion there that's –

**THE COMMISSIONER:** Page 54.

**MS. E. BEST:** Page 54, yeah, just above. Thank you.

The other conclusion there that's also in brown bolded font: *“From MHI’s perspective, the project scheduling is comprehensive, detailed, and...”* – sorry, we’re talking about the scheduling here – *“... comprehensive, detailed, and consistent with best industry practice for similar projects. The current project schedule*

*is appropriate and reasonable to meet the requirements of Decision Gate 3.”*

So no mention of CPW there, just reasonable to meet the requirements of Decision Gate 3. Is that correct?

**MR. WILSON:** I'm gonna defer that one to Al Snyder.

**MR. SNYDER:** Yes, that's exactly.

**MS. E. BEST:** Thank you.

And, lastly, if we could go to page 9 please, Madam Clerk?

**THE COMMISSIONER:** Page 6.

**MS. E. BEST:** Thank you.

If you could scroll down, please? That should do it. Yeah, and this is the paragraph that we looked at initially, but I wanted to point it out again to show that here in the line that we already read, again you say – and this is the third line up from the bottom under Muskrat Falls Generating Station. Again, you do say that: “... the cost estimate ...” is “an AACE class 3 and thus would be considered reasonable for a Decision Gate 3 project sanction.”

So, I mean, that's pretty clear to me. Would you agree that the cost estimate for the generating station is reasonable for a Decision Gate 3 project sanction?

**MR. WILSON:** I agree.

**MS. E. BEST:** You agree?

**MR. WILSON:** Yes, yes.

**MS. E. BEST:** Thank you.

Okay. Lastly, I just want to make one more – point out one more section of the report to you.

On page 39, please, Madam Clerk.

**THE COMMISSIONER:** Page 36.

**MS. E. BEST:** Page 36, yes, in your report.

And again, the bolded, brown font here, which is the conclusion or, I guess, the conclusion of that area of the report – you state: “*MHI finds that the estimates are reasonable as inputs to the Decision Gate 3 process and*” – the – “*CPW analysis.*”

So I note your use of the word “and” there. Is that a typo? I mean, it seems to reflect that you are in fact contemplating two things here: the Decision Gate 3 process and the CPW analysis.

**MR. SNYDER:** Well, in theory, it’s input to the CPW analysis, and what would flow out of that would be the decision on Decision Gate 3.

**MS. E. BEST:** Okay. Thank you.

And I just wanted to go to page 11, please, Madam Clerk. I’d like to address just quickly a couple of your general conclusions.

**THE COMMISSIONER:** Page 8.

**MS. E. BEST:** And I wanted to point this out because as your report is structured, I consider this – I mean, you can see clearly that it’s marked there Conclusions at the bottom of the page, right?

**MR. SNYDER:** Mm-hmm.

**MS. E. BEST:** Okay.

So I wanted to point out your – the first line of your conclusion, which, I would think, is – would be very prominent and meant to be – considered to be important when someone’s reading this report, would you agree with that? The first line of your conclusion?

**MR. SNYDER:** Yes.

**MS. E. BEST:** Okay.

So your conclusion was, and I’ll read it out: “MHI has found Nalcor’s work to be skilled, well-founded, and in accordance with industry practices.” Right?

So you would have expected that your client, the government, would rely on that, right?

**MR. SNYDER:** Yes.

**MS. E. BEST:** Thank you.

And then the following page – page 12.

Another – if you could scroll down just a little further please, thank you. Another very important part of the report, I would say, is the Recommendations, would you agree?

**MR. SNYDER:** Yes.

**MS. E. BEST:** Thank you.

And we have this here, and you can see that your recommendation is that: “Given the analysis that MHI has conducted based on the data and reports provided by Nalcor, MHI recommends that Nalcor pursue the Interconnected Island option as the least cost alternative.”

So that was your recommendation that that option be pursued?

**MR. SNYDER:** That’s correct.

**MS. E. BEST:** Thank you.

Those are all my questions, thank you.

**THE COMMISSIONER:** Former Provincial Government Officials ’03 to ’15?

**MR. T. WILLIAMS:** No questions, Mr. Commissioner.

**THE COMMISSIONER:** Thank you.

Julia Mullaley, Charles Bown?

**MR. FITZGERALD:** I hate paperless. Hello, Gentlemen.

**MR. SNYDER:** Good afternoon.

**MR. FITZGERALD:** My name is Andrew Fitzgerald – excuse me. I’m counsel for Charles Bown and Julia Mullaley, and thank you for coming.

I know yesterday was a long day, and I was listening to your testimony, and I’m really trying to clarify a lot of what came out yesterday so we know what did happen and what didn’t happen and what your memory is.

I recognize that this is your first time in a public inquiry, so I want you to just recognize that it's important to all of our clients that if you don't know the answer or you don't recall, I'd rather hear that than speculation or guessing, okay?

**MR. WILSON:** Absolutely.

**MR. FITZGERALD:** Okay.

Now, P-00770, please?

**MR. WILSON:** Exhibit number?

**UNIDENTIFIED MALE SPEAKER:**  
(Inaudible.)

**MR. WILSON:** Or tab number?

**UNIDENTIFIED MALE SPEAKER:** Tab – just a minute now.

**MR. FITZGERALD:** P-00770 is at tab 47.

**MR. WILSON:** Okay.

**MR. FITZGERALD:** I think this was the first use of Mr. Beresford's new tool.

**THE COMMISSIONER:** Oh, really?

**MR. FITZGERALD:** Quite handy.

Page 8 of the document – this is your scope of work. And I'm going to direct my questions initially to you, Mr. Wilson. You did a lot of the talking yesterday. If you can't answer or you need to defer, I understand that.

**MR. WILSON:** Okay.

**MR. FITZGERALD:** But I'm gonna start with you, and if we need your colleagues to kick in, we can.

In page 8 it says Services. It says: "The Consultant acknowledges that the Client is relying on the skill and knowledge of the Consultant in performing the Services. The Consultant shall exercise the degree of skill, care and diligence required by customarily accepted practices and procedures for such a Contract."

This was the service you agreed to provide to the Government of Newfoundland and Labrador, correct?

**MR. WILSON:** That's correct.

**MR. FITZGERALD:** And you acknowledge in this contract that the government is relying on the skills and knowledge of MHI, the consultant?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** I'm not trying to trick ya.

**MR. WILSON:** No.

**MR. FITZGERALD:** Just –

**MR. WILSON:** This is black and white.

**MR. FITZGERALD:** I just want to make sure we get it out.

At the bottom of the page there is a reference to: "The Services which the Consultant shall perform or cause to be performed with diligence, skill and care include the following:

"a) A review of work performed by Nalcor related to the Muskrat Falls and Labrador Island HVdc Link (LIL) and the Isolated Island Option subsequent to DG2. The level of review shall be sufficient for the Consultant to report on whether Nalcor has performed work with the degree of skill, care and diligence required by customarily accepted professional practices and procedures completed in the performance of similar work."

Obviously you're familiar with that clause, Mr. Wilson?

**MR. WILSON:** Mm-hmm. Yes.

**MR. FITZGERALD:** And I would suggest that you would not provide a report, and you wouldn't put your name on a report, if you didn't believe that you had sufficient information to carry out that task.

**MR. WILSON:** That's correct.

**MR. FITZGERALD:** And Mr. – I can ask Mr. Snyder, Mr. Kast?

**MR. KAST:** I agree, sir. Thank you.

**MR. SNYDER:** I would agree as well.

**MR. FITZGERALD:** Yeah, you'll stand by your report –

**MR. SNYDER:** Yes.

**MR. FITZGERALD:** – before you would provide it to anybody?

**MR. KAST:** Mm-hmm.

**MR. SNYDER:** Yes.

**MR. FITZGERALD:** P-00746, please.

**THE COMMISSIONER:** 00746.

**MR. FITZGERALD:** Oh, 00746 is tab 23.

This is an email from Mr. Bown to Paul Wilson. And I just quote: "Paul

"I've attached a draft letter to define the understandings between Govt, Nalcor and MHI during the work covered under the contract. Please review and comment.

And if we go to page 3 of the document, item h. It says, "MHI will bring any issues identified during the course of its review to the attention of the Client as quickly as possible so" – that – "so they so that" – that's a typo – "Nalcor has an opportunity to resolve them prior to the completion of DG3."

Now, what I'm suggesting here, Mr. Wilson, is that, separate and apart from the scope of services in your contract, it was being made clear to you that if an issue arose with Nalcor, you were to bring it to the attention of the client right away.

**MR. WILSON:** That's correct.

**MR. FITZGERALD:** And you would normally do that in terms of your due diligence and your professional standards, I would assume?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** So did you ever reply to that email from Mr. Bown, do you know, in terms of the reassurance he was seeking, or was it just not an issue?

**MR. WILSON:** I don't recall –

**MR. FITZGERALD:** Okay.

**MR. WILSON:** – if I replied to his –

**MR. FITZGERALD:** And that's fair enough. A long time ago.

Now, Mr. Simmons went through a lot of stuff this morning, which did assist me, but there are some points I need to bring out.

Exhibit P-00824, please? And that is tab 87.

An email here from – I may have the wrong exhibit, I may not even need to direct you to the exhibit. I believe there was an email from Westney and Mr. Dalley, if we go down. I may be wrong on this, I may not be. No, it's the wrong exhibit.

In any event, there was an email from Mr. Westney; it was about a month before the report was submitted to government in terms of strategic risk. And we've been all talking about this over the last couple of days, but it's my understanding, from your evidence, that you did not see the report that referenced a 497-million strategic risk number from Westney.

**MR. WILSON:** That's correct.

**MR. FITZGERALD:** Okay, because that's been batted around here a bit. I just wanted to be absolutely clear that you never saw that.

And it's my understanding in your evidence that if you were aware of that document, you would've brought it to the attention of the client.

**MR. WILSON:** I believe we would've made mention of it in our report.

**MR. FITZGERALD:** Yeah, you would've noted it.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** I think that's what you said.

Would you agree with me that noting this document to government, if you had knowledge of it, you would be exercising your degree of care and skill that the government was relying upon in the circumstances? That would be part of your contractual duty, if you did see it. I'm not saying you did.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** But noting it would be something that you would do as part of your due diligence.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** As per the terms of your contract. With reference to the scope of work, would you agree with me that oftentimes the client is relying upon the expertise of the consultant?

**MR. WILSON:** In the general sense, yes.

**MR. FITZGERALD:** Yeah. I mean, obviously you're familiar with this area of hydro megaprojects.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** The consultant could – or sorry, the client could be any number of public bodies or entities. I would just say – suggest there would be a level of reliance upon – on a consultant to say: Should we have this in the scope of work, shouldn't we have it in the scope of work. There would be a back and forth, I would suggest.

**MR. WILSON:** There – and there was back and forth on the scope of work –

**MR. FITZGERALD:** Okay.

**MR. WILSON:** – prior to issue of the contract. I'm sure you're well aware.

**MR. FITZGERALD:** And you do have a contract – I recognize you have a contract to perform your duties with care and skill and all that. If a client suggested to you to remove

something from the scope of work that you felt would be detrimental for you to carry out your contract, would you push back, advise against in writing?

**MR. WILSON:** Well, if it in any way hampered, you know, what we needed to deliver –

**MR. FITZGERALD:** Yeah.

**MR. WILSON:** – and per the rest of the scope of work, like it was very integral to it, perhaps, yes, we would have.

**MR. FITZGERALD:** I guess you wouldn't want to see your client harmed.

**MR. WILSON:** Of course not. No.

**MR. FITZGERALD:** Especially when your client is relying upon your expertise.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** Page 30 of your transcript there was a quote that Mr. Learmonth brought you to and I'm just going to read it out: When you're doing this review you – this is Mr. Learmonth speaking, sorry – but when you were doing this review, you – am I correct in saying that you knew that the government was relying on your work to assess whether the project should be sanctioned.

And Mr. Wilson's answer was: Yes. And Mr. Learmonth replied: Yeah. And then Mr. Learmonth continues: And from that am I correct in believing that, or am I entitled to assume that you had to have adequate documentation in order to write the report. And your answer, Mr. Wilson, is: Yes. This was given under oath.

And do you stand by that?

**MR. WILSON:** Yes, I do.

**MR. FITZGERALD:** It's consistent with your contractual duty, isn't it?

**MR. WILSON:** Yeah. Yes. It is.

**MR. FITZGERALD:** Page 25 of the transcript – and this was put to you yesterday as well and I’m just trying to do some housekeeping. So despite the scope of work changing, there was still a need to review risk analysis for the capital cost of the project.

And your evidence, Mr. Wilson, was: If we had been provided risk analysis we would have provided that cost estimate. In other words, what I’m getting at here is if you had documentation in your possession that you thought was relevant to the government you would provide it.

**MR. WILSON:** We would have noted it on our report. I think we’ve already talked about this. Yes.

**MR. FITZGERALD:** Yes.

**MR. WILSON:** Yeah.

**MR. FITZGERALD:** I know some of this is going to be a little repetitive; I just want to clear it up because yesterday was a little bit unclear for me in any event.

**MR. WILSON:** Very good.

**MR. FITZGERALD:** And I think your evidence is that regardless if it was in the scope of work or not, if you had come across the document regarding the strategic risk, the 497 million, you would have brought it to the attention of the client. You would have noted it, even if it wasn’t in the scope of work. I believe that was your evidence yesterday.

**MR. WILSON:** I believe I said that. I’d have to go back and look at what was actually said. Yeah.

**MR. FITZGERALD:** Yeah, but that would be consistent with your contractual duty, wouldn’t it?

**MR. WILSON:** And it’s consistent to my recollection.

**MR. FITZGERALD:** And how you operate.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** In your evidence you also indicated that you had contact with Mr. Bown, my client.

**MR. WILSON:** Mm-hmm.

**MR. FITZGERALD:** And you also met with members of his team including Walter Parsons, correct?

**MR. WILSON:** I believe so, yes. Yeah.

**MR. FITZGERALD:** Were there any other members of his team being met with that you can recall off the top of your head?

**MR. WILSON:** There was one other fellow and I don’t recall his name at this point.

**MR. FITZGERALD:** And that’s fine.

**MR. WILSON:** Yeah.

**MR. FITZGERALD:** It’s also my understanding that you attended a meeting in Toronto with Minister Jerome Kennedy and Premier Kathy Dunderdale in October of 2012. Do you recall that?

**MR. WILSON:** I do, yes.

**MR. FITZGERALD:** I think that was the final presentation.

**MR. WILSON:** Yeah. Yes.

It wasn’t a presentation; I think I was called to answer any questions they may have.

**MR. FITZGERALD:** Were you challenged at that meeting by anybody? When I say challenged, were you questioned?

**MR. WILSON:** I don’t recall.

**MR. FITZGERALD:** Okay. You don’t recall if Mr. Kennedy asked you any questions?

**MR. WILSON:** I don’t recall, no.

**MR. FITZGERALD:** Okay, we’ll hear from Mr. Kennedy.



And you don't recall former Premier Dunderdale, also. You just don't recall?

**MR. WILSON:** I don't recall.

**MR. FITZGERALD:** That's fine.

**MR. WILSON:** I know they were there – or premier was there.

**MR. FITZGERALD:** This morning we heard a lot of discussion – and Mr. Simmons brought it out – that generally there's a lot of back and forth that takes place between Nalcor and MHI when you're doing this type of project. Would you agree with me on that?

**MR. WILSON:** There has been, yes.

**MR. FITZGERALD:** Yeah.

And that would be standard, how you would operate in doing this type of report, I would suggest.

**MR. WILSON:** In certain places and jurisdictions, yes.

**MR. FITZGERALD:** Yes, okay.

It was also how you operated when you did the report from the PUB.

**MR. WILSON:** Yes, we had a fair bit of back and forth with our client, which was the PUB at the time, yes.

**MR. FITZGERALD:** Yes, but you were going back and forth between – no, no, I don't want to confuse this. You were going back – MHI was going back and forth between Nalcor to get the technical information they needed.

**MR. WILSON:** Not quite in the same fashion.

**MR. FITZGERALD:** Okay.

**MR. WILSON:** It was more of a – the RFI process, we would work through the board, request information, Nalcor would provide it.

**MR. FITZGERALD:** I guess the point I'm getting at, Mr. Wilson, is in order for you to

draft your report, your people need to meet with Nalcor's people.

**MR. WILSON:** In this report, yes, we did.

**MR. FITZGERALD:** Yeah. You can't just do this in the dark.

**MR. WILSON:** No, we cannot. We need access to the information.

**MR. FITZGERALD:** Yes and would it be fair to say you might have questions arising from that information?

**MR. WILSON:** Absolutely, yes.

**MR. FITZGERALD:** And would it be fair to say that sometimes you need to meet with these people to get answers to these questions?

**MR. WILSON:** Well, this is the way I structured this project.

**MR. FITZGERALD:** Yes.

**MR. WILSON:** And my experts were on site –

**MR. FITZGERALD:** Yes.

**MR. WILSON:** – to meet with people so, yeah.

**MR. FITZGERALD:** Yeah.

In this type of process where Nalcor or MHI is going direct back and forth with Nalcor in order to get information so you can do your report, that's beneficial to you, isn't it?

**MR. WILSON:** It was structured this way largely to be – to make it expeditious to do this –

**MR. FITZGERALD:** Okay.

**MR. WILSON:** – quickly. Yeah.

**MR. FITZGERALD:** P-00594, please, 74.

**MR. WILSON:** Tab 74?

**MR. FITZGERALD:** Yes.

And I'm going to direct you to the second page, Mr. Wilson, and the second-last paragraph: "It is

noted that meetings held with Nalcor staff were very insightful and greatly assisted MHI in conducting our review.”

Those are your words?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** And you would agree with that? Your opinion hasn’t changed on that?

**MR. WILSON:** It hasn’t. I’m trying to recollect the staff meetings, and I don’t at this point.

**MR. FITZGERALD:** No, I don’t expect you to go into that level of specificity this many years later, but in general sense, when you’re doing these type of reports, and you’re having these interactions with Nalcor – or it could be anybody, Nova Scotia Power, whoever you do work for – it’s helpful, insightful, and you were assisted in conducting your review by having those meetings and exchanges?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** Would you consider it a part of your necessary due diligence?

**MR. WILSON:** To have those meetings, you mean?

**MR. FITZGERALD:** Yeah.

**MR. WILSON:** There’s many ways of getting that information.

**MR. FITZGERALD:** Mm-hmm

**MR. WILSON:** And – but in this particular project, it was very beneficial to have those meetings and that face-to-face dialogue.

**MR. FITZGERALD:** Was important?

**MR. WILSON:** Are we talking about the board or Nalcor?

**MR. FITZGERALD:** Nalcor.

**MR. WILSON:** Nalcor, yeah.

So the staff of Nalcor –

**MR. FITZGERALD:** Yes.

**MR. WILSON:** – that we met with on our project here –

**MR. FITZGERALD:** Yes.

**MR. WILSON:** – for the various areas, the ingredients for such, were, you know, basically instrumental in us collecting that information so we could prepare our report.

**MR. FITZGERALD:** Yeah, that’s how I pictured it.

**MR. WILSON:** Yup.

**MR. FITZGERALD:** And I’m certainly not criticizing. That makes perfect sense to me. I just don’t know if everyone had a full picture of how it – how this played out in practice.

And P-00750, please. And that is Exhibit – tab 27, Gentlemen.

**MR. WILSON:** Twenty ...?

**MR. FITZGERALD:** Twenty-seven.

**MR. WILSON:** Twenty-seven.

Okay.

**MR. FITZGERALD:** On the bottom of page 1, there’s an email from Paul Wilson to Charles Bown. And I’ll just begin there at – well, actually near the top, sorry, yes.

“Hello Charles, I thought I would give you an update on our activities last week during our visits to Nalcor.

“Three members of the team

“Gerry Proteau (Transmission Lines)

“Al Snyder (SOBI, Wind, and Thermal)

“Tom Moffatt (Muskrat Falls Generating Station).”

So it’s my understanding is – and Mr. Bown will be giving evidence as well – that basically what would happen is your team would meet with the

Nalcor team and, as the government was the client, a report and an update would subsequently be provided by MHI to the government through Mr. Bown so the government knew what was going on?

**MR. WILSON:** Yes, that's correct, and that's what this is.

**MR. FITZGERALD:** And this is normally what would happen through your processes?

**MR. WILSON:** Yes. Yeah.

**MR. FITZGERALD:** I don't know if this document was referred to you yesterday, but I do have it here in my package. It's Exhibit P-00769, tab 46.

Now, on the top of the document – sorry, Mr. Wilson, do you have it yet?

**MR. WILSON:** Yes, I have it here. Yeah.

**MR. FITZGERALD:** Okay, on the top of document it says: "RFI Log Revision: August 27, 2012." Do you know what this document is?

**MR. WILSON:** This is one of my internal documents used to track information requests to – largely to Nalcor – and whether I received that information or not.

**MR. FITZGERALD:** Okay.

So this was part of your due diligence of the information that you needed to receive from Nalcor as you're preparing to write your report?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** Okay.

And this is August 27, 2012. This is getting near the end in terms of the report – end of October. Would you agree with me on that?

**MR. WILSON:** Yes, the report was issued at the end of October, so –

**MR. FITZGERALD:** And page 33 – sorry page 3, item 33 – there's a reference here to contingency. It says: "Contingency

"MHI has reviewed the additional information provided by Nalcor on contingency allocation for the Muskrat Falls project. The contingencies for the Muskrat Falls Generating Station ... and Labrador Transmission Asset ... come out at 9.0 % and 9.1% respectively, and" – looks reasonable – "and look reasonable" – sorry. "With this contingency allocation to the GS and LTA, this leaves the Labrador Island Link HVDC facilities with 3.7% (86.48 million/ 2,359 million) for contingency.

"Please provide support for this level of contingency (86.48 million) for the LIL HVdc transmission facilities."

So can you explain to me what's going on here in this number 33? You don't seem to be satisfied with the answer from – or the information you've gotten.

**MR. WILSON:** This was the request that was issued –

**MR. FITZGERALD:** Okay.

**MR. WILSON:** – through Nalcor. That was actually my – the basis of my question. And I'm asking them to provide me a supporting document for the \$86 million.

**MR. FITZGERALD:** Yeah, so you're going back and forth in this RFI process – this is the revision of August 27, 2012. You've listed any number of items.

**MR. WILSON:** Mm-hmm.

**MR. FITZGERALD:** They had CPWs, PIRA forecasting, Infeed Option, treatment of Holyrood, insurance. There's any number of issues here that you were dealing with, and you were seeking confirmation from Nalcor, and then, ultimately, Nalcor would need to satisfy you, correct?

**MR. WILSON:** That's correct.

**MR. FITZGERALD:** And when you were satisfied, you could carry out your report and provide it to the client?

**MR. WILSON:** Yeah.

**MR. FITZGERALD:** Okay.

Now, there was – Exhibit P-00773, please. And this is – I believe it's September.

**MR. KAST:** Tab?

**MR. FITZGERALD:** Page 14.

**THE COMMISSIONER:** Tab 50.

**MR. FITZGERALD:** Oh, sorry, Justice.

**UNIDENTIFIED MALE SPEAKER:** This one here.

**UNIDENTIFIED MALE SPEAKER:** Okay.

**MR. FITZGERALD:** So your evidence earlier today was that you don't recall who took this out. You were very clear that it wasn't a government official it wasn't any – you didn't know if it was someone from Nalcor, MHI. You just didn't know?

**MR. WILSON:** I don't recall, no.

**MR. FITZGERALD:** Okay.

However, you have this RFI log in August and discussions are going back and forth with respect to Nalcor and MHI with respect to information request and what's coming in and coming out. One of the issues that's clearly addressed here is contingency.

**MR. WILSON:** Mm-hmm.

**MR. FITZGERALD:** Would it be possible that you received information from Nalcor regarding contingency and, therefore, because you were satisfied that was taken out?

**MR. WILSON:** I don't recall.

**MR. FITZGERALD:** No, you don't recall. I'm just asking you is a possibility in the back and forth, that goes between Nalcor and MHI, if you were satisfied that that paragraph should be taken out because of information you got from Nalcor, could that be an explanation why it was taken out?

**MR. WILSON:** It would depend largely on what I received back from Nalcor.

**MR. FITZGERALD:** Oh, I appreciate that. But if you were satisfied, could that be a reason?

**MR. WILSON:** Could be, yeah.

**MR. FITZGERALD:** Yeah.

Could be a very logical reason, couldn't it?

**MR. WILSON:** Yeah.

**MR. FITZGERALD:** And to be fair to you, Mr. Wilson, I was listening to you yesterday. And I know it's your first inquiry of this sort. And there was a lot of times where you did appear unsure and you paused in your answers, and a lot of times you couldn't recall, and that's how I started off my –

**MR. WILSON:** Mm-hmm.

**MR. FITZGERALD:** – presentation to you today.

And when I was reviewing your transcript – would you agree with me that there was a lot of times during your transcript that you couldn't recall specifics in terms of discussions and whatnot with respect to this project? I know it was seven or eight years ago.

**MR. WILSON:** I believe so, yeah.

**MR. FITZGERALD:** Yeah, I'm not trying to put you on the spot. I know –

**MR. WILSON:** Yeah, I just –

**MR. FITZGERALD:** – it is what it is.

**MR. WILSON:** – got to go through and review that transcript and – but yes.

**MR. FITZGERALD:** Okay.

And as a result of not having an active memory of a lot these conversations at the time – and I review your transcript – you gave a number undertakings to your counsel, saying we'll undertake to try to find –

**MR. WILSON:** Yes.

**MR. FITZGERALD:** – this information. We'll undertake to try to find this information. And you were trying to be helpful, I'm not saying you weren't. And I note, from a number of the undertakings – and I don't need to take these out, I don't think I do, but even in the undertakings, after you've had your interviews, there was a lot of: I do not recall, I do not recall.

**MR. WILSON:** That's correct.

**MR. FITZGERALD:** It was a long time ago.

**MR. WILSON:** Yeah. And I could not find the information to support –

**MR. FITZGERALD:** No. And fair enough, and I don't – and that's why I'm trying to be fair to you as a witness.

In your – your evidence was also that MHI in 2012 did not have a good records management system.

**MR. WILSON:** That's correct.

**MR. FITZGERALD:** Okay.

Would you agree with me that a better records management system would've enhanced your ability to provide accurate information on who made what edits when? If you had it. If you had a document that showed who made the edit, it would be helpful to you, wouldn't it?

**MR. WILSON:** Well, if we were tracking a log of who made what edits when, yes, certainly –

**MR. FITZGERALD:** Yeah.

**MR. WILSON:** – we could've provided –

**MR. FITZGERALD:** That's my point, you know, and in fairness to you, if someone's asking you well what did someone say to me seven years ago.

Now, Mr. Bown will be giving evidence during the Inquiry and he's going to be very clear on his edits. He can tell you exactly what they were; however, you're somewhat clear in your discovery transcript as well.

And I just want to take you to that, because during the discovery there was – in the morning session, I would suggest, you were asked a lot of questions about: Well, who authorized this edit? Who authorized that edit? These questions were coming at you. And then you took a lunch a break and you came back after lunch. And after lunch you came back and you said the following: Okay – this is yourself, Mr. Wilson, and I want to see if this jives with your memory. Okay, just to close that item off. I did some searching and I found some instances where he requested direction to or revisions to that final report. And then you go through them very detailed.

One, on October 24, an email, he requested figure 90 be replaced. Nalcor had pointed out there was an error on the chart. So that was done. I made some edits to the executive summary on October 24 and on October 19 in an email, he wanted to add some language on the federal loan guarantee to section 41.

Mr. Learmonth asked you a question: Those were the only edits he did? You replied: Okay, they were the only ones I could find at the lunch hour I had. Fair enough. Okay. Well, if you look further and you find anything, you can let Ms. Van Iderstine know.

That was your evidence at the Inquiry. Three very distinct edits –

**MR. WILSON:** Okay.

**MR. FITZGERALD:** – that Mr. Bown had made. One was, it sounds like a typo on a chart by Nalcor, the other was adding language to the executive summary so everyone knows why MHI was retained and a paragraph on the federal loan guarantee.

Mr. Bown's evidence will be that those were all the edits he made with respect to that report, and he didn't make any edits with respect to technical issues because that was beyond his expertise.

**MR. WILSON:** Okay.

**MR. FITZGERALD:** But he – could his recollection be better than yours?

**MR. WILSON:** I –

**MR. FITZGERALD:** What was that?

**MR. WILSON:** Perhaps, I don't know.

**MR. FITZGERALD:** Well, you're – well, it jives with your –

**MR. WILSON:** Yeah.

**MR. FITZGERALD:** – recollection here doesn't it?

**MR. WILSON:** Well, I was with – I went in search for documents to find out what it'd take to –

**THE COMMISSIONER:** Excuse me if I can.

**MS. VAN IDERSTINE:** (Inaudible.)

**THE COMMISSIONER:** Okay. Excuse me just for a second now 'cause I can't hear you.

Can you turn off your mic, Mr. Fitzgerald?

**MS. VAN IDERSTINE:** I don't think it's fair to ask this witness whether somebody else's memory might be better than theirs. I mean that's an impossible question to answer.

**MR. FITZGERALD:** (Inaudible) justice, by the very nature of this inquiry.

**THE COMMISSIONER:** Well I, you know, it's hard for this guy – this witness to be able to say if somebody had a better memory than he did.

**MR. FITZGERALD:** No, I –

**THE COMMISSIONER:** But I understand the point you're making.

**MR. FITZGERALD:** Yeah.

**THE COMMISSIONER:** I think the question you asked is probably not the right question.

**MR. FITZGERALD:** Fair play.

**THE COMMISSIONER:** Okay.

**MR. FITZGERALD:** Yeah.

**THE COMMISSIONER:** So if you want to restate it, go ahead.

**MR. FITZGERALD:** Would you agree with me that you did not find any other edits with respect – at that time – with respect to Mr. Bown and that report, except the three that you gave in your discovery testimony?

**MR. WILSON:** Those are the three that I –

**MR. FITZGERALD:** Yes.

**MR. WILSON:** Those are the three that I found in my –

**MR. FITZGERALD:** Yeah.

**MR. WILSON:** – search at the time.

**MR. FITZGERALD:** Yes. And you also indicated that if you had found anything else you would let your counsel know. This is what the transcript said. We would let – you know, you said those are the only ones I had – I could find in the lunch hour. Okay. Well, if you look further and find anything, can you let Mr. – Ms. Van Iderstine know.

**MR. WILSON:** Okay, yeah.

**MR. FITZGERALD:** Okay. So we didn't get anything new on that though, did we?

**MR. WILSON:** I – no, not anything additional.

**MR. FITZGERALD:** No, that's my point. Mr. Bown will give evidence and his memory will be consistent with yours.

Would you also agree with me that those type of edits – why Manitoba Hydro's engaged, you know, obviously a factual error on a chart and an edit with respect to well here's what the story is on the federal loan guarantee, those are not of a technical nature that would interfere with your ability to do your report?

**MR. WILSON:** No, not at all.

**MR. FITZGERALD:** No.

After a bit of back and forth yesterday, there was issues about risk raised with respect to you and Mr. Learmonth, and you didn't seem sure in terms of who removed the risk elements from the draft reports. You're still not sure, are you?

**MR. WILSON:** Still not sure, no.

**MR. FITZGERALD:** No, you're not.

**MR. WILSON:** No.

**MR. FITZGERALD:** No, you don't recall do you?

**MR. WILSON:** I don't recall, no.

**MR. FITZGERALD:** No. So you don't know if it was Charles Bown, you don't know if it was Derrick Sturge, you don't know if it was Kathy Dunderdale. You have no idea who told you to do that, do you?

**MR. WILSON:** I don't recall where the direction came for some of these edits or if we –

**MR. FITZGERALD:** See, it's important to my client because it was interpreted incorrectly in the media yesterday, and I just wanted to put that question to you to clear that up because he has a professional reputation.

**MR. WILSON:** Mm-hmm.

**MR. FITZGERALD:** And in fairness to you, Mr. Wilson, and I'm being completely fair, you've been brought to Newfoundland for an Inquiry five or six years after you did the work. Would it be fair to say to you that absent your written record – the records that you do have – you really don't have an independent recollection of these conversations with representatives here? You rely on that written record, don't you?

**MR. WILSON:** Very much so, yes.

**MR. FITZGERALD:** Yeah, so the whole idea of well, who said what, where, when, it's really not that –

**MR. WILSON:** There are some instances I do recall, but no, for the large part –

**MR. FITZGERALD:** You don't.

**MR. WILSON:** – I don't recall, no.

**MR. FITZGERALD:** No, and I'm not saying you should. I don't remember seven years ago either. I don't know if I can remember last week.

But, in any event, you would also agree with me that there's no – nothing in our record that shows my client instructed you to take anything out of those reports with respect to risk or contingency, is there?

**MR. WILSON:** I don't know what is in your records, Sir. I don't know if I can say that.

**MR. FITZGERALD:** But you haven't been asked that, have you? You hadn't found any?

**MR. WILSON:** I haven't got anything in my records.

**MR. FITZGERALD:** No, and reviewing your records for the Inquiry, you haven't found that, have you?

**MR. WILSON:** No.

**MR. FITZGERALD:** Thank you.

With respect to this whole issue of editing reports, the Commission heard from a Ms. Maureen Greene, she was legal counsel at the Public Utilities Board. Are you familiar –

**MR. WILSON:** Mm-hmm, yes.

**MR. FITZGERALD:** – with Ms. Greene?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** And she indicated that she would re-draft reports so they were readable, I believe was the words she used, and fair enough. And she would not make technical edits or edits to recommendations.

Isn't this really the same process that was going on with respect to the Government of Newfoundland in the DG3? It goes to the client, they may make some – they may help the language, make it more readable – but they're not changing you recommendations?

**MR. WILSON:** That's correct, yeah.

**MR. FITZGERALD:** Or your conclusions.

**MR. WILSON:** No, we're just checking the facts –

**MR. FITZGERALD:** Yes.

**MR. WILSON:** – essentially.

**MR. FITZGERALD:** Because that would be unethical and that's not something you would do.

**MR. WILSON:** That's – yes.

**MR. FITZGERALD:** And Charles Bown's role, with respect to the government, was similar to Maureen Greene's role, with respect to the PUB. She was your point person there, was she? Or was it Mr. Martin?

**MR. WILSON:** They're almost one and the same after this much time, but –

**MR. FITZGERALD:** Fair enough.

**MR. WILSON:** – we interacted a lot with both of them.

**MR. FITZGERALD:** But in any event, you had a contact person with each entity.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** But the day-to-day mechanics of this was MHI and Nalcor figuring it out and discussing the matter, working together to try to provide a report for the client's uses.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** And you report from time to time to the client.

**MR. WILSON:** I did, yeah.

**MR. FITZGERALD:** Yeah. Yesterday, the issue of conflict of interest arose near the end of a question and this had to do with the PUB, and I believe your evidence was that you obtained

advice from the professional engineering association of Newfoundland.

**MR. WILSON:** I did, yes.

**MR. FITZGERALD:** Are you an engineer?

**MR. WILSON:** I was at the time, yes.

**MR. FITZGERALD:** Okay.

**MR. WILSON:** I am still an engineer in the Province of BC.

**MR. FITZGERALD:** Okay.

And as a professional engineer, obviously, you're held – at the time, and you are now in BC –

**MR. WILSON:** Mmm.

**MR. FITZGERALD:** – to certain ethics and standards that you need to comply by in order to practise your profession.

**MR. WILSON:** That is correct.

**MR. FITZGERALD:** So in that instance, when the conflict of interest arose with the PUB, being an ethical person you went to the Newfoundland and Labrador association and got direction.

**MR. WILSON:** That's correct, hmm.

**MR. FITZGERALD:** And when you go back to all of this discussion on editing and whatnot – and you're all professional individuals here. You're not going to sacrifice your ethics or your reputation if someone suggested something should be removed from a report and you disagreed with it, are you?

**MR. WILSON:** Depends on the nature of the request, of course, but if it violated basic conclusions or something very important, yes.

**MR. FITZGERALD:** Yeah. You're not going –

**MR. WILSON:** We're not going to put ourselves in –



**MR. FITZGERALD:** – to put your name on the line, or your ethics on the line for someone else like that, are you?

**MR. WILSON:** That's correct. Yeah.

**MR. FITZGERALD:** And neither are you, are you Mr. Kast?

**MR. KAST:** Absolutely not, Sir.

**MR. FITZGERALD:** And neither would Mr. Snyder, are you?

**MR. SNYDER:** No. I would not.

**MR. FITZGERALD:** Interesting – paragraph P-00770 – sorry, Exhibit P-00770. And I believe it's the first one I looked at.

**MR. WILSON:** Which tab was it again?

**THE COMMISSIONER:** Tab –

**MR. FITZGERALD:** Oh, sorry.

**THE COMMISSIONER:** – 47.

**MR. FITZGERALD:** Yes. Thank you, Justice.

Now, there was an amendment made to this at – I believe, Mr. Wilson, you may have referenced it. On page 19 – actually it might be page 18. It is – no, sorry, it's page 19; 7.2.

**MR. WILSON:** Okay.

**MR. FITZGERALD:** “Notwithstanding any other provision of this Agreement the total liability of the Consultant to the Client with respect to any and all claims arising out of the performance or non-performance of the services provided” – excuse me – “under this Agreement whether based in contract, warranty, tort, including negligence, equity, strict liability or otherwise, shall be, limited to five times the value of the total fees for the services provided for under this Agreement.”

It wasn't initially five times, was it? That was increased before you signed it. You recall that?

**MR. WILSON:** I think I would've – certainly, 'seeked' legal counsel within our organization.

**MR. FITZGERALD:** Yeah.

**MR. WILSON:** MHI for – to deal with these things, the – as well and to get the recommendation whether these kinds of things would've been acceptable or not. And –

**MR. FITZGERALD:** Oh, yeah (inaudible).

**MR. WILSON:** – I don't recall – I thought – normally the typical language is to devalue the contract. And I believe – I don't recollect – I can't recollect – weather it was increased, not sure. It wasn't on our clock, it's gonna be on – the Government of Newfoundland had probably increased this.

**MR. FITZGERALD:** It did.

**MR. WILSON:** Yeah.

**MR. FITZGERALD:** And I will tell you it did and that will come out.

**MR. WILSON:** Yeah.

**MR. FITZGERALD:** And the reason I'm asking this question – I guess for a couple of reasons – so this would increase the exposure of MHI by five times the value of the contract.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** I believe the value of the contract was about 225, is that right, thereabouts?

**MR. WILSON:** That sounds about right.

**MR. FITZGERALD:** Yeah. Okay. (Inaudible) –

**MR. WILSON:** I don't recall what was actually billed, but that was the value of the proposal.

**MR. FITZGERALD:** Oh, yeah, fair play.

And you're no longer at MHI?

**MR. WILSON:** No, I'm not.

**MR. FITZGERALD:** And how long have you been gone from MHI?

**MR. WILSON:** I left MHI in 2013.

**MR. FITZGERALD:** Okay.

**MR. WILSON:** I left Manitoba Hydro in 2014.

**MR. FITZGERALD:** And with respect to you, Mr. Kast?

**MR. KAST:** Well, I have never been directly under MHI. I'm an independent consultant.

**MR. FITZGERALD:** Okay.

**MR. KAST:** And so as contracts arise and they request and I agree, then only limited to that time.

**MR. FITZGERALD:** Okay. And Mr. Snyder?

**MR. SNYDER:** I've not been involved with Manitoba Hydro International directly for at least eight years.

**MR. FITZGERALD:** Okay. That provides some context.

There was a number of individuals mentioned in your evidence: a Mr. Horocholyn?

**MR. KAST:** Horocholyn.

**UNIDENTIFIED MALE SPEAKER:**  
Horocholyn.

**MR. FITZGERALD:** (Inaudible.)

**MR. KAST:** That's okay. Horocholyn.

**MR. FITZGERALD:** Horocholyn.

A Mr. Moffat?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** A Mr. Proteau?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** A Mr. Kellas?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** And – I can't even pronounce it – Recksiedler?

**MR. WILSON:** Recksiedler.

**MR. FITZGERALD:** Recksiedler.

**MR. WILSON:** Yeah.

**MR. FITZGERALD:** And I take it some of those are independent contractors and some of those are former MHI employees?

**MR. WILSON:** Yeah, that's correct, yes.

**MR. FITZGERALD:** Okay.

What struck me as odd – because – and I accept Mr. – I believe it was Mr. Simmons – there is a fundamental lack and gaps in the evidence here, in the documentary record. There just is. I'm not saying it's your fault. You're not at MHI now, you're not there.

**MR. WILSON:** Hmm.

**MR. FITZGERALD:** But it was surprising to me that with a liability clause increased five times, we're only five years out, yet Manitoba Hydro seems to not have these documents. If there was a lawsuit tomorrow by the government against MHI, they would be prejudice after this clause being put in.

Does that strike you unusual, not being able to access those documents in the circumstances?

**MR. WILSON:** I think we already discussed that our document record system at the time was –

**MR. FITZGERALD:** Mmm.

**MR. WILSON:** – rather insufficient for the need.

**MR. FITZGERALD:** Do you know what efforts were made by MHI to try to obtain all the documents from those individuals? I know you're not there anymore. I'm just asking you a question: If you know what efforts were made by MHI to obtain all those documents from all those individuals?

**MR. WILSON:** Now or at the time?

**MR. FITZGERALD:** Well, in relation to this Inquiry so we could all see the full story.

**MR. WILSON:** In relation to the Inquiry?

**MR. FITZGERALD:** Yeah.

**MR. WILSON:** MHI – I’m not at MHI, but I understand that they, you know, did the search for these documents.

**MR. FITZGERALD:** Okay.

**MR. WILSON:** Did their best efforts to locate it.

**MR. FITZGERALD:** Are Mr. – these five individuals, are they still all alive? Do you know?

**UNIDENTIFIED MALE SPEAKER:** They’re all still alive.

**MR. FITZGERALD:** Yeah.

**MR. WILSON:** Yes –

**MR. FITZGERALD:** Okay.

**MR. WILSON:** – as far as I know.

**MR. FITZGERALD:** I have to say, it does strike me as odd that a company with \$90 million in revenue and 80 to 90 people in 2012 did not have a better record-keeping system. That is not pre-internet, it’s not fax machine – you know, I thought there would be more.

**MR. WILSON:** I was three years at MHI and one of my roles there was to modernize. So it was happening.

**MR. FITZGERALD:** Fair play.

**MR. WILSON:** I don’t know how it shook out at the end, but all of that computer infrastructure was being updated; at a substantial cost, by the way.

**MR. FITZGERALD:** Now, we’ve already – you’ve already answered the question that you don’t recall any of the specific conversations, in

particular with respect to who removed what, when – that’s your evidence?

**MR. WILSON:** Yes.

**MR. FITZGERALD:** Yes.

And you would be assisted if you had all of those records, you think, because you rely on the records to try to put together the story, don’t you?

**MR. WILSON:** That’s correct, yes.

**MR. FITZGERALD:** I don’t have much more, Justice, I don’t think. I might, but I don’t think.

So when Mr. Budden asked you questions and refers to the editor, you really don’t know who the editor is, do you? He was referring to an editor in his questions to you. You don’t know who the editor is.

**MR. WILSON:** In this case I don’t recall who edited what pieces.

**MR. FITZGERALD:** Right.

**MR. WILSON:** Whether it was myself or my staff or ...

**MR. FITZGERALD:** (Inaudible.) Thank you.

And you were asked some questions by Mr. Budden with respect to – well, we’re a bunch of lawyers and we’re trying to figure out what went on here, and we all don’t have an accurate picture of how this all worked in practice. And I know you’re going to – you’ve been asked some questions about, well, what about P1 –

**MR. WILSON:** Mmm.

**MR. FITZGERALD:** – and what about P50 and what about the 400 million or the 500 million. Am I correct to say that you can’t really cherry-pick these little factors – not that half a billion dollars is little, but it’s one factor in a big puzzle that we have here.

**MR. WILSON:** Mm-hmm.

**MR. FITZGERALD:** Am I correct to say you can’t just cherry-pick these particular issues

without putting it all in to the puzzle to determine what's going to come out, to have an accurate picture?

**MR. WILSON:** I think I'll let Mr. –

**MR. FITZGERALD:** Mr. Kast? Yeah.

**MR. WILSON:** Yeah.

**MR. FITZGERALD:** I think he might be the best one for it.

Thank you, Mr. Wilson.

**MR. KAST:** Yes, I think that's a fair assessment but I have said already and, again, that's why the sensitivity analysis –

**MR. FITZGERALD:** Yeah.

**MR. KAST:** – was done. It's to cushion the specific number, the plus or minus of the number, because we were comparing two options here.

**MR. FITZGERALD:** Yes.

**MR. KAST:** And so you want to try and bring balance to both, so you're looking at sensitivity on both if this goes up. So I think that was expected to absorb that type of thing that you're trying to describe.

**MR. FITZGERALD:** Good, and that's how I understood it. And I guess, Mr. Kast, when I read your discovery transcript – and correct me if I'm wrong but there was – I believe there was a \$2.2-billion difference in the CPWs for Interconnected and Isolated?

**MR. KAST:** For DG3 report?

**MR. FITZGERALD:** Yeah, thereabouts?

**MR. KAST:** Just a second. It's subject to check, but let's look. Yes, it's 2.4 billion.

**MR. FITZGERALD:** So – and when I'm reading your transcript, the impression I get from it is that despite these issues that have been raised today, I mean, the Interconnected Option was still going to be cheaper, in particular with fuel – the way fuel is.

**MR. KAST:** Well, that's correct. And what we did was we did a sensitivity on both sides –

**MR. FITZGERALD:** Yes.

**MR. KAST:** – to be balanced.

**MR. FITZGERALD:** Yes.

**MR. KAST:** We did a sensitivity on the capex because the Interconnected is more heavily weighted on the capex side.

**MR. FITZGERALD:** Yeah.

**MR. KAST:** On the other side fuel accounted for, I think, about two-thirds of the CPW quantum and, therefore, it's important on that particular one to do a sensitivity, and we did.

And so it's – when you're dealing with this magnitude at this point, it's not possible to define one number and say, we're there, it's let's look at it from a sensitivity point of view, with – for each of the numbers. And are you satisfied that this is going to get us to where we want to be? Have we made the right decision?

And so I believe that's the correct approach that we have followed.

**MR. FITZGERALD:** And Mr. Budden also tried to compare P-00773 and P-00040 to you and say, well, you know, the contingency is taken out, so it must be: Aha, this is what happened, someone took it out. There's a grand conspiracy. But I showed you your request-for-information document earlier in the analysis or in my questioning of you. Is it possible when these changes are being made and they're being taken out, it's because you're getting the information you require from Nalcor so you could carry out your duty on the contract?

**MR. WILSON:** In a general sense –

**MR. FITZGERALD:** Yes.

**MR. WILSON:** – that could be true. Yeah.

**MR. FITZGERALD:** Yes.

There was a meeting in Winnipeg. You recall that?

**MR. WILSON:** I recall that there was a meeting in Winnipeg, yes.

**MR. FITZGERALD:** Do you recall meeting separately with Mr. Bown in Winnipeg?

**MR. WILSON:** No, I do not.

**MR. FITZGERALD:** Okay. You don't recall that you two might have had lunch?

**MR. WILSON:** I don't recall. I likely did.

**MR. FITZGERALD:** I ask the question, Mr. Wilson, because it was a way of separating Nalcor from the government officials, so you could give him a – I guess, a – what's the word, a very frank briefing if you were alone, couldn't you?

**MR. WILSON:** I could, yes. Yeah.

**MR. FITZGERALD:** Yeah.

Would that be your practice with clients, in general, if you wanted to have a discussion? Like, there may be a problem, there may be an issue, just to let them know –

**MR. WILSON:** It would be prudent to –

**MR. FITZGERALD:** It would be prudent.

**MR. WILSON:** – have a meeting with him separately at that time –

**MR. FITZGERALD:** Yeah.

**MR. WILSON:** – take that opportunity, yes.

**MR. FITZGERALD:** And to identify what was going on.

**MR. WILSON:** Yes.

**MR. FITZGERALD:** Those are my –

**MR. WILSON:** I still don't recall that lunch, though.

**MR. FITZGERALD:** He does.

Thank you very much, Gentlemen. I really appreciate your time here today.

**THE COMMISSIONER:** Thank you, Mr. Fitzgerald.

**MR. FITZGERALD:** I didn't want to take up too much of it.

**UNIDENTIFIED MALE SPEAKER:** Thank you.

**THE COMMISSIONER:** Robert Thompson?

**MR. COFFEY:** Commissioner, I can't turn on the mic, but no questions, Commissioner.

**THE COMMISSIONER:** Okay.

**UNIDENTIFIED MALE SPEAKER:** Sorry.

**THE COMMISSIONER:** Todd Stanley. Terry Paddon.

**MS. VAN DRIEL:** No questions, Commissioner.

**THE COMMISSIONER:** Consumer Advocate.

**MR. HOGAN:** Hello.

**MR. WILSON:** Hello.

**MR. SNYDER:** Hi.

**MR. HOGAN:** My name is John Hogan. I'm counsel for the Consumer Advocate. The Consumer Advocate represents the 300,000 ratepayers.

I just want to start by talking a little bit about oil prices. Mr. Kast, yesterday, I think you said that the prediction for oil in this case, the forecast, was reasonable. You recall saying that?

**MR. KAST:** In the circumstances it's reasonable, but we did put a sensitivity around it because I did also express concern that after 2027 it was escalated at 2 per cent per year and that's a significant quantum in the Isolated Island Option.

**MR. HOGAN:** Right, so it's still reasonable to do it though, is that your position?

**MR. KAST:** Well, it is reasonable because we need to have a starting point and so that's what

we did. It's very clear in the material that we presented if it's – if one is suggesting that there's another option, then it's – you know, it's –

**MR. HOGAN:** There's no option other than 20 years because that's what – that's how far PIRA goes, is that what you mean?

**MR. KAST:** Well, it is. That's as far as it goes. That's right. What I'm – but in that last sentence I was just suggesting is 2 per cent reasonable or should it be 3 per cent? We don't know but that's what the sensitivity is supposed to capture.

**MR. HOGAN:** Okay.

**MR. KAST:** Intended to capture.

**MR. HOGAN:** So I just want to ask you a couple of questions on that. In your – when Mr. Learmonth interviewed you at page 93 of your transcript, he asked you about that. And you said: I don't think it's realistic at all – this is talking about predicting 55 to 57 years in the future. In fact, I doubt that you're going to find anybody on the street who will do that.

So a couple of questions: What do you mean by that? Who's on the street?

**MR. KAST:** Well, to find somebody in the public domain who's going to be able to predict from that period under review.

**MR. HOGAN:** But I want to ask what the – if it's not realistic to do it but it's reasonable to do it. Can you distinguish those two words: realistic and reasonable?

**MR. KAST:** Well, it's reasonable in the circumstances.

**MR. HOGAN:** But not realistic.

**MR. KAST:** No, I can't – it is realistic in the circumstances because –

**MR. HOGAN:** Well, just hold on now. This is your words. You said it's not realistic.

**MR. KAST:** Okay.

**MR. HOGAN:** So let's just, yeah.

**MR. KAST:** Okay.

**MR. HOGAN:** So go ahead.

**MR. KAST:** Well, I'm just saying that if that, then what?

**MR. HOGAN:** No, I understand that. That's my point. If not, then what? Well –

**MR. KAST:** Mm-hmm.

**MR. HOGAN:** – we can only go out for 20 years because that's as far as PIRA goes, no one else on the street will do it. But yet, for this project Nalcor has said: we'll do it. We'll go out 55 years.

And you said it's not realistic.

**MR. KAST:** Well, I said that when you use a specific number, and you're going to hang on that one number, that's where the term perhaps not realistic comes in.

**MR. HOGAN:** Okay.

**MR. KAST:** What is realistic is to take the fuel price and put a band around it, with respect to sensitivity, and I did say that as well. Here's what the risk – well, if I can use the term – what the risk factor is with the elasticity of that thing moving much wider.

**MR. HOGAN:** So do you think it's fair to the ratepayers for you or Nalcor or the government to rely on an analysis, on data, that's not realistic?

**MR. KAST:** No. Well, I'm not saying it's not –

**MR. HOGAN:** I'm asking you –

**MR. KAST:** I don't agree it's not realistic.

**MR. HOGAN:** Well, you said –

**MR. KAST:** No.

**MR. HOGAN:** – in your transcript that –

**MR. KAST:** No.

**MR. HOGAN:** – it wasn't realistic.

**MR. KAST:** What – it's up to them to decide. It's not for me to decide. I don't want to try and prejudge what their opinion might be.

**MR. HOGAN:** It was their forecasts.

**MR. KAST:** Well, it's their forecasts, but it's my responsibility to complete a CPW result.

**MR. HOGAN:** Okay.

So again, you'd agree then it was reasonable to go out 55 years even though no one on the street would do that?

**MR. KAST:** Well – but we had to. We're going 50 years forward –

**MR. HOGAN:** Well, I don't know if you had to. That's –

**MR. KAST:** Well, my friend, we can't go with zero, and we can't put 10 per cent, and we know that perhaps is out of bounds, so let's develop a starting point and then put some elasticity around it –

**MR. HOGAN:** Why do we need –?

**MR. KAST:** – and that's what we did.

**MR. HOGAN:** Why do we need to go out 55 years? Is it because –

**MR. KAST:** Because –

Sorry.

**MR. HOGAN:** Go ahead.

**MR. KAST:** You go ahead.

Well, because we were doing a comparison with two CPWs.

**MR. HOGAN:** Okay.

**MR. KAST:** That was the whole point of the exercise.

**MR. HOGAN:** So my – I have a follow-up question then. If we had a third, fourth, fifth, sixth options – we only had two options –

**MR. KAST:** Mm-hmm

**MR. HOGAN:** – you were only given two options, I should say – maybe then we wouldn't need to go out 50 years, is that fair to say?

And you don't know what the other options are, obviously.

**MR. KAST:** You know, there could be many scenarios.

**MR. HOGAN:** Yeah.

Possible that we could have presented –

**MR. KAST:** I won't go there. I won't go there. We were given two.

**MR. HOGAN:** Yup.

**MR. KAST:** And I would refer to my fearless leader over here. This is what we were asked to do; this is what we contracted to do, compare this option to this option, and that's what we did.

**MR. HOGAN:** Well, let's ask the fearless leader if – is it possible Nalcor could have given you a third option, fourth, fifth, sixth option – this is a total vacuum, I understand that – where we – where you wouldn't – where they wouldn't have had to go out 55 years?

Or was that too vague of a question to ask?

**MR. WILSON:** Well, I can answer from my understanding, but recognize that I am not the financial expert here. But the selection of those options is really dependant on the asset life, you know? And the asset life of a hydro power dam is much greater then the thermal power plant, and that's what was driving the long time frame.

**MR. HOGAN:** So the Muskrat Falls Project, which is a long-term project with a long lifespan. Because of that, the options that were used to compare it to were also a long lifespan.

**MR. WILSON:** That's my basic understanding, yes.

**MR. HOGAN:** Okay.

**MR. KAST:** Well, let's – if you don't mind, the – one of the differences – the significant differences – is – with respect to the Interconnected – is the sum of the quantum and the sum of dollars that is going to be spent is going to be spent in the near term, that is, from the start date of construction to the finish date. I don't know exactly what that is, but let's say five years for example.

In contrast to the Isolated Island Option, where you have the fuel consideration, that's not the near-term issue. That's the long-term issue. So it's not possible to say we're gonna take this one alone, because then you can't do a CPW or comparison.

**MR. HOGAN:** Because they're not even. They're not apples to apples? Is that what you mean?

**MR. KAST:** Well, I didn't say they're not apples to apples. I'm just saying there are two different perspectives. That's all I'm trying to put on the table here. And given the contract that we had to make this – to do the work that we had to do to make a comparison between these two options, it wasn't me who said –

**MR. HOGAN:** No, I understand that.

**MR. KAST:** – we should compare this to this. This is the task at hand, we did it. We did it with, you know, professional conduct to the best we could do.

**MR. HOGAN:** I just want to ask you a couple of questions about fuel prices, because you've said it a few times – is the huge cost of the Isolated Island Option is the fuel.

**MR. KAST:** It's about two-thirds of the CPW (inaudible) –

**MR. HOGAN:** Actually, let's just look at it, because we'll turn to P-00058 if we could, please. Which is tab 64, page 11.

Yeah, so it's 6.7 there out of the 10.7, is that right?

**MR. WILSON:** Which page are we on here?

**MR. KAST:** Oh yes, I see it here.

**THE COMMISSIONER:** Page 11.

**MR. KAST:** It's right here. 6.7.

**MR. HOGAN:** 60-odd per cent, right?

**MR. KAST:** 62 per cent.

**MR. HOGAN:** 62 per cent, okay.

**MR. KAST:** Yeah.

**MR. HOGAN:** Yeah, it says it right there.

So no one's really talked about this, and I don't know what the answer is gonna be. I'm trying to explore this a little bit. Down below you say: "There remains" – or your report says: "There remains significant uncertainty in fuel price forecasts, which are magnified over the 50 ... years of the study horizon."

So is that a risk that they have to take into account, the fuel price? Is that a fair way to put that?

**MR. KAST:** I guess you could characterize it as a risk; it is a risk. I mean, you're –

**MR. HOGAN:** I wanna ask this –

**MR. KAST:** – you're making a commitment today, and you don't know exactly where the fuel price is gonna go because it's futuristic.

**MR. HOGAN:** I want to ask this.

**MR. KAST:** Okay.

**MR. HOGAN:** Can you calculate a CPW without the fuel costs as an input and then look at the risks of fuel for, like, say, a management risk or a contingency risk?

**MR. KAST:** (Inaudible.)

**MR. HOGAN:** Is that another way to do the CPW?

**MR. KAST:** I don't –

**MR. HOGAN:** So we'll take fuel out of both sides?



**MR. KAST:** No.

**MR. HOGAN:** Why not?

**MR. KAST:** Because the objective was to – well, let's back up one step. The objective was that we have customers, and they are looking for a supply of – a secure supply of power over the long term. So we have two options to deliver that power to them. You can either do it this way or this way. From their perspective, they're not really concerned, but – how we do it – but they need the power. So now it's up to us.

So what we have to do is say what options do we have. And we have two options, either look at what we've already got in place in terms of just the generating capacity and so on and the means of generating, which were thermal intensive, and on the other hand, we had an opportunity – or the good province of Newfoundland had an opportunity to develop Muskrat.

So they said, well, how are we going to compare these two options in front of us. So we know what we're gonna spend over here because it's near-term (inaudible). As it's turning out it appears – from what I can hear – it's gonna be more money than they estimated, but over here, we still don't know where the price of fuel is going to go. So we did the best we could. We estimated 2 per cent out, and then we put boundaries around it and said now you make the comparison.

The one thing that's – it's nice to wait and, you know, to do the dance and so on, but there's a long lead time. So we've got to – if you're going to put your foot in the ground, let's – or stake in the ground – we've got to start somewhere.

**MR. HOGAN:** Is it fair to say that the fixed charges are less likely to fluctuate than the fuel charges in that table?

**MR. KAST:** Well, the fixed charge – well, because they're spent today. So it's only the increments –

**MR. HOGAN:** Right.

**MR. KAST:** – of capital that you're going to spend into the future that are likely going to

escalate, and that's where the escalation quantum comes into play.

**MR. HOGAN:** So the risks of fluctuation are much higher in the fuel component of this table?

**MR. KAST:** The exposure to risk is –

**MR. HOGAN:** Okay, fair enough.

**MR. KAST:** – I would say.

**MR. HOGAN:** So that would mean that your forecasting should be as accurate as possible to ensure you're getting the right CPW?

**MR. KAST:** Well, it's –

**MR. HOGAN:** That's a given (inaudible).

**MR. KAST:** That's a given. I mean, it's our responsibility to do the best we can.

**MR. HOGAN:** If there's an error in that forecasting – if –

**MR. KAST:** Well –

**MR. HOGAN:** – it's going to greatly affect this difference in the CPW in this scenario, 'cause what you've said is that the fuel costs are such a big component of the Isolated Option.

**MR. KAST:** Well, you characterize it as an error.

**MR. HOGAN:** If. I said if.

**MR. KAST:** Yeah. Well, no, but look – it's – the number is not going to be exactly the number we have in here. It's not going to be an error. It's –

**MR. HOGAN:** Right.

**MR. KAST:** – just going to be different. It could be higher, it could be lower, but we're doing the best we can in circumstances – we, the province and so on, everybody involved. So we're making a best estimate and then we're putting some boundaries around it and saying would a reasonable person still come to the same conclusion based on the report that we've given.

**MR. HOGAN:** Thank you.

If I could look at, please, P-00783, which is tab 40.

**THE COMMISSIONER:** Tab 40.

**MR. HOGAN:** Page 4, please.

Now, Mr. Wilson, I understand that – correct me if I’m wrong – this is a presentation you did which reflects the report –

**MR. WILSON:** No.

**MR. HOGAN:** – but that you didn’t –

**MR. WILSON:** It’s not.

**MR. HOGAN:** – presentation you put together but you didn’t actually do a presentation.

**MR. WILSON:** That’s – I was just – what tab is this?

**MR. HOGAN:** Tab –

**THE COMMISSIONER:** Tab 40.

**MR. HOGAN:** – 40.

**MR. KAST:** Tab 44, is it?

**MR. WILSON:** Tab 40?

**MR. KAST:** Forty?

**THE COMMISSIONER:** Tab 40.

**MR. HOGAN:** So –

**THE COMMISSIONER:** 00763 or 00783, I’m sorry.

**MR. HOGAN:** Oh, jeez, (inaudible) 60, sorry – 60.

**MR. WILSON:** Tab 60, oh.

Continue, Sir, I’m –

**MR. HOGAN:** So this –

**MR. WILSON:** – while we’re finding it.

**MR. HOGAN:** – you prepared this presentation?

**MR. WILSON:** Yes.

**MR. HOGAN:** And it reflects what’s in your report?

**MR. WILSON:** Yes.

**MR. HOGAN:** But you did not give the presentation?

**MR. WILSON:** Did not, no.

**MR. HOGAN:** So it’s fair to ask you some questions on this, though, that it would reflect what’s in the report?

**MR. WILSON:** Please, go ahead.

**MR. HOGAN:** Okay.

The third bullet point there, it says this is what’s excluded from your report: Hydrology Assessment of Muskrat Falls generating station. At whose instructions was that excluded? Do you recall?

**MR. WILSON:** Well, there’s a number of items excluded because the focus of our engagement was to look at what had changed between DG2 and DG3. And then DG2 hydrology and reliability and these other things were looked at in depth.

**MR. HOGAN:** At DG2?

**MR. WILSON:** At DG2. So when it came to DG3, you know, when asked what things we needed update would be the things that had changed since DG2.

**MR. HOGAN:** Okay. So you can’t recall on whose specific instructions it was to remove that from DG3, specifically.

**MR. WILSON:** No, I don’t, no.

**MR. HOGAN:** Okay.

Do you recall that conversation at all, specifically, with regards to hydrology?

**MR. WILSON:** Not at all, no.

**MR. HOGAN:** Okay.

And the last bullet there, it says: rates impact on the two options. So we just actually talked about that. There was only two options presented to you. Did you – did that strike you as normal or odd?

**MR. WILSON:** Well, we weren't engaged to do a rate review at all –

**MR. HOGAN:** Well –

**MR. WILSON:** – neither at DG2 or DG3.

**MR. HOGAN:** – the CPW analysis for two options, did that strike you as odd or is that normal?

**MR. KAST:** A CPW analysis in this case is entirely appropriate. Rates impact is quite different.

**MR. HOGAN:** Okay, but the CPW analysis for two options, were you surprised or is it odd that they didn't say look at three or four options?

We've heard evidence that the Nova Scotia UARB, in relation to the Maritime Link, were told review everything and tell us what the least-cost option is. PUB here was said: Is it A or B?

So did you – does it strike you as odd that you were asked to only look at two options?

**MR. KAST:** I don't think it's fair for me to pass judgment on what they decided. I believe what they decided is a reasonable thing to consider and that's what we did.

**MR. HOGAN:** Anyone have any comments? No?

**MR. WILSON:** DG2 was the two options and then in (inaudible) like screening – screening capabilities. DG3 is a, you know, is a go-forward decision. We did look at the wind option as well as an extra exercise, so, you know, our client was clearly looking at other options as well, or other considerations.

**MR. KAST:** You know, I would go one step further even on reflection and say that I'm – I believe they absolutely did the right thing because sometimes, you know, you – it's easier to just follow the path that you're on and you become indifferent and pretty soon you've – you look back and you say why didn't we do something? Why didn't we, why didn't we?

So, you – I think I give, whoever it is, I'm not sure, but to give them credit for their perspective of looking forward and say, well, maybe it's time we look at what other opportunities do we have to supply power to the people of this province. And so these were the two options that appeared to be on the table and obvious to them, and they asked us to pursue – we did.

**MR. HOGAN:** Yeah, but you don't know if there was a third or fourth possible option.

**MR. KAST:** It wasn't for me to know.

**MR. HOGAN:** Well, you're – I know it wasn't, that's what I find funny that you're saying that it was okay to pick between the two, when you don't know if there were more.

**MR. KAST:** Well, –

**MR. HOGAN:** You can't have –

**MR. KAST:** Let's not –

**MR. HOGAN:** – it both ways.

**MR. KAST:** Yeah, but, let's not try and split hairs because you can either keep doing what you've always been doing or you can, you know, now choose something else. If you have some other options you should've been on the floor six, eights years.

**MR. HOGAN:** When you do – when you've done CPWs in the past, is it normally two options, is it normally six, 10 or how does it work?

**MR. KAST:** Depends on what's –

**MR. HOGAN:** Depends on –

**MR. KAST:** – what the opportunities are.

**MR. HOGAN:** – what you’re asked to do.

**MR. KAST:** Depends where you are. I gave some examples, it depends on the circumstances, yeah.

**MR. HOGAN:** If we could turn back to the final report at P-00058, please?

Commissioner, I’m going to be another little while, not long, do you want me to keep going?

**THE COMMISSIONER:** Well, is this a good spot to break?

**MR. HOGAN:** As good as any, but I mean –

**THE COMMISSIONER:** Okay.

**MR. HOGAN:** Yeah.

**THE COMMISSIONER:** Well, let’s break here then for 10 minutes, and we’ll come back.

**CLERK:** All rise.

### Recess

**CLERK:** All rise.

Please be seated.

**THE COMMISSIONER:** Mr. Hogan.

**MR. HOGAN:** Thank you.

Madam Clerk, if we could bring up – there it is, page 9, please.

So I just want to go through a few questions in your report. I guess, Mr. Wilson, I’ll direct them to you, if we could just scroll down to where it says: Isolated Island Option.

I just – that sentence, the second one: “The load forecast for the Isolated Island option is somewhat less than the Interconnected Island option due to the higher marginal price of electricity.” Could you just explain that to me why the load is different for one scenario versus the other?

**MR. WILSON:** I’m going to refer that to Mr. Snyder.

**MR. HOGAN:** Sure.

**MR. SNYDER:** The load is a little bit less because of the expected forward pricing of electricity under the Isolated Island Option.

**MR. HOGAN:** And would that be based on the CPW in this report? Are you saying that, you know, because the CPW for the Isolated Island Option is greater than the Interconnected Option, the price of electricity will be more, therefore there’ll be a different load?

**MR. SNYDER:** There will be a different load but the intent – the inference is that the load will be lower when the price is higher.

**MR. HOGAN:** When the price is higher for the Isolated Option.

**MR. SNYDER:** No, the price is higher – yes, for the Isolated Option, right.

**MR. HOGAN:** Okay.

But if – now that – now we know – and I know you were looking back, that this has doubled in cost essentially, which means the price is now going to be higher for the Interconnected Option. Correct? I know this is –

**MR. SNYDER:** That would be a speculation, yes.

**MR. HOGAN:** Yeah, well, now we know, right?

So just – my question is then that the load forecasts here in this paragraph are based on the CPWs in the report.

**MR. SNYDER:** The load forecasts were based on the CPWs in the report, yes.

**MR. HOGAN:** Okay.

If we could turn to page 16, please, so I’ll read out the paragraph and one of you can answer. This is just a clarification question because I don’t quite understand all this.

It says: “For Decision Gate 3, the cost estimate accuracy range for all engineering” systems “for the Muskrat Falls Generating Station and the

Labrador-Island Link HVdc system was the ... (AACE), Class 3 estimate range. For the Isolated Island option, some costs were updated, whereas others were escalated to provide new base case numbers at the AACE Class 4 level similar to what was used in DG2.

So my questions are: What's the difference between – and I think Mr. Simmons asked you some questions about this earlier. What's the difference between Class 3 and Class 4? And what's the difference between escalation and updating?

**MR. SNYDER:** Particularly with the Isolated Island Option, there was less work done between DG2 and DG3. And so some of the costs were just escalated.

**MR. HOGAN:** What does that mean, just escalated?

**MR. SNYDER:** It meant that they were increased by the price of inflation.

**MR. HOGAN:** Okay, as opposed to the DG3 numbers were more accurate?

**MR. SNYDER:** Yes.

**MR. HOGAN:** More work had gone into the DG3 numbers?

**MR. SNYDER:** More work had gone into the DG3 numbers on the Integrated Island Option.

**MR. HOGAN:** So are you still comfortable – I assume I know what your answer's gonna be – comparing the DG – or the Isolated Option and the Interconnected Option even though the same amount of analysis had not gone into the numbers?

**MR. SNYDER:** Yes, we were still comfortable with it because the – there was not as many capital expenditures in the Isolated Island Option.

**MR. HOGAN:** But at the end of the day, the same amount of analysis had not been put into each option.

**MR. SNYDER:** It would appear to us that they had not.

**MR. HOGAN:** Okay. Thank you.

Turn just to page 17. So we've looked at this before in the Inquiry. I'm not sure if you guys have looked at it yet over the last couple of days. This is the Isolated Island Option, the timeline of when certain projects would come on stream. Does this look familiar to anyone?

**MR. SNYDER:** Yes.

**MR. HOGAN:** Okay.

So my question is – and we talked about magnified risks, demands, 50 years, oil prices fluctuating. Is one way to lower the risks is to do – to meet the demand in this fashion, where you're adding bit by bit so you can better know what your demand is, as opposed to doing one large project to meet demand, maybe, but it might be off as well? Is this a better way to do it?

**MR. SNYDER:** I don't think there is a better way to do it. You know, there's different ways to do it and –

**MR. HOGAN:** Okay, fair enough, so let me just ask this question: Is this way less risk in terms of relying on forecasts for 50 years?

**MR. SNYDER:** I would say no.

**MR. HOGAN:** Why is that?

**MR. SNYDER:** And the reason for it being that, first of all, you have to site all of these new plants.

**MR. HOGAN:** What does that mean: Site all these plants?

**MR. SNYDER:** That means being able to find a place – a greenfield site to be able to build them. And –

**MR. HOGAN:** Well, let's assume that that's all done; we know where the plants are going to go.

**MR. SNYDER:** Well, I'm assuming that they're not –

**MR. HOGAN:** Okay.

**MR. SNYDER:** – all known. And so that's –

**MR. HOGAN:** Why are you assuming that?

**MR. SNYDER:** Because you just wouldn't have a – you wouldn't have that done way in advance on all those plants. The other thing is that –

**MR. HOGAN:** Well, hold on now, so does that mean that you're assuming that all the work necessary to go into the Isolated Option was not done?

**MR. SNYDER:** Well, I'm –

**MR. HOGAN:** I would assume it was done. And you were comparing one projection versus another projection that was both (inaudible).

**MR. SNYDER:** There's several things about this that are not known: one of them is the 'siting' of the plants, the second is the Canadian government's control of substances that are emitted by oil-fired plants, which are – while they haven't stated anything about oil-fired, they have stated coal. We all know that oil's on the agenda.

**MR. HOGAN:** So let's just stick to my question, then. If we know what these projects are going to be, is building them piecemeal over the course of time less risky in terms of meeting the demand forecasts and the oil forecasts?

**MR. SNYDER:** I don't think so.

**MR. HOGAN:** You don't think so.

**MR. SNYDER:** No.

**MR. HOGAN:** Mr. Wilson?

**MR. WILSON:** I'm going to defer to Mr. Snyder on that.

**MR. HOGAN:** Mr. Kast?

**MR. KAST:** Well –

**MR. HOGAN:** I mean I don't understand how it couldn't be, because if you build something and then 10 years later you revisit the forecast, you would have some comfort level there on what you've already done.

**MR. KAST:** Well, yes, but it's the – it's, what would be the right expression – might be the creep factor. You know, you build six plants and they're all more expensive to operate. But after you built the six, you say: My goodness, we can't turn back, so we'll build another six. And so, you know, the more expensive becomes now even worse, you're in a worse position.

So I think at some point you've got to put your stake in the ground and say: What is the right long-term decision? You know, if you're afraid to make the big decision then that's fine, you can creep along. And in some circumstances, people don't have any choice because maybe capital is an issue and so on; there might be prohibiting issues. But in this case, it wasn't for me to decide, but somebody said: Let's take a look at the bigger picture over here, and then a long-term picture for both.

**MR. HOGAN:** Okay, thank you.

If we could turn to page 24, please?

Who's the right person to ask about this forecast accuracy, because I'll direct my comments to them first.

**MR. WILSON:** Al Snyder would be the best one.

**MR. HOGAN:** Mr. Snyder, okay.

So Mr. Snyder, just tell me if I'm right here. The industrial per cent in Table 4, after 10 years it – that means it's off by 125 per cent?

**MR. SNYDER:** That's correct.

**MR. HOGAN:** And the correct – or sorry, the appropriate deviation would be 10 per cent.

**MR. SNYDER:** Yes, this was a – because of the shutdown of the pulp and paper mills at Stephenville and Grand Falls.

**MR. HOGAN:** Okay, but the forecast was off by 125 per cent, is that right?

**MR. SNYDER:** That's correct.

**MR. HOGAN:** Okay, so within this report, you can't even look back at a 10-year forecast and

we're going to rely on a 50-year forecast. Now, do you think that's reasonable?

**MR. SNYDER:** At this particular –

**MR. HOGAN:** Off by a lot – 125 per cent –

**MR. SNYDER:** At this particular point in time there are four large industrial customers in the province, and one of them is skeptical – and it may have shutdown already, the small mine. The other three are operational, and there's no allowance in the load forecast for any future industrial plant. Which I hope, for your sake, is wrong.

**MR. HOGAN:** Why do you say that?

**MR. SNYDER:** Because I'd like to make sure that there was a reason for people to live here.

**MR. HOGAN:** Okay, so the paragraph below there says that: "The assumption of continued operation of the pulp and paper mills at Stephenville and Grand Falls was overly optimistic, causing problems that have affected the industrial forecast accuracy."

So is that what you're saying: The assumption that they were gonna stay open is why this was off by 125 per cent?

**MR. SNYDER:** Yes.

**MR. HOGAN:** Okay. But the forecast was still wrong. That's the beauty of looking –

**MR. SNYDER:** Forecast was still wrong, yeah –

**MR. HOGAN:** – back, the forecast was wrong.

**MR. SNYDER:** – yeah.

**MR. HOGAN:** Right, you're – it's being justified here about why it was wrong.

**MR. SNYDER:** Yes.

**MR. HOGAN:** Yeah.

Let's just turn to the previous page, 23.

The second last paragraph: "The 20-year forecast growth rate for the industrial sector ... is expected to grow due to the expansion of Vale and the assumption of continued operation of the Corner Brook mill."

So can you explain to me now, when you're looking back at your forecast that was off by 125 per cent – because two mills closed and you said on page 24 that that was an improper assumption, and now on this page you're saying let's assume that Corner Brook is gonna stay open.

**MR. SNYDER:** We were –

**MR. HOGAN:** So why would you rely on the same assumption when you've already – well, not you – but it's already been wrong?

**MR. SNYDER:** We didn't have anything to do with the assumption of whether the Corner Brook plant was gonna stay open.

**MR. HOGAN:** You didn't have it –

**MR. SNYDER:** But –

**MR. HOGAN:** – but you put it in the report.

**MR. SNYDER:** But in –

**MR. HOGAN:** This is your words that you assumed –

**MR. SNYDER:** But the people from –

**MR. HOGAN:** – the continued operation –

**MR. SNYDER:** – people from Nalcor had been in touch with the people from Corner Brook, from Kruger, and between the government, Kruger and Nalcor, the decision was that that plant, for the foreseeable future, was gonna remain open.

**MR. HOGAN:** And you just relied on that information?

**MR. SNYDER:** Why would I rely on anything else?

**MR. HOGAN:** Because two plants have closed.

**MR. SNYDER:** We were relying upon the experts, the people that are here.

**MR. HOGAN:** Two plants have closed that led to the forecast being off by 125 per cent. And you relied on these forecasts to say that they were reliable and reasonable –

**MR. SNYDER:** Yes.

**MR. HOGAN:** – and to move forward with them. The ratepayers of this province are relying on forecasts that were out by 125 per cent. Do you not see a problem with that?

**MR. SNYDER:** Well, sure, I – nobody wants to have a forecast out by 125 per cent.

**MR. HOGAN:** So that's it, "sure"?

**MR. SNYDER:** No, the fact of the matter remains that we were assured that that plant would be open in the foreseeable future.

**MR. HOGAN:** Then why didn't you put that word in there? We were "assured" it would stay open. You said "assumption."

**MR. SNYDER:** Well, because we didn't deal with them.

**MR. HOGAN:** Why didn't you put that in there? Why didn't you qualify it?

**MR. SNYDER:** Well, it is qualified in the sense that we assumed that that load is staying in the –

**MR. HOGAN:** Well, assumption is quite –

**MR. SNYDER:** – plant.

**MR. HOGAN:** – a different word than assured.

**MR. SNYDER:** Well, there is no such thing as an assurance, anyway.

**MR. HOGAN:** Hmm.

**MR. SNYDER:** You know that.

**MR. HOGAN:** I didn't know. A forecast is new to me. And it's beyond my comprehension that you can say: We're gonna rely on these forecasts that were out by 125 per cent and rely on an

assumption that we have already gotten wrong with the other two plants, but we're gonna go ahead anyways with these forecasts.

Do you understand how that doesn't make sense to the average person?

**MR. SNYDER:** Well, I would hope that you'd be able to understand it.

**MR. HOGAN:** If we could turn to page 63.

You know what the problem is: I do understand it and I understand flaws in it.

**THE COMMISSIONER:** Page 63.

**MR. HOGAN:** Yes. Thank you.

If we can scroll down a little bit more?

About halfway through that paragraph it says: "The installation of scrubbers and NOx burners at a cost in excess of \$600 million will clean up particulates and SOx but will not remove carbon dioxide." So this is for the Holyrood Thermal Generating Station as you can see there.

**MR. SNYDER:** Yes.

**MR. HOGAN:** Do you know if that \$600 million was spent?

**MR. SNYDER:** I do not know whether it was spent.

**MR. HOGAN:** Did you check at the time to see whether that was spent?

**MR. SNYDER:** I don't think it was spent at the time in 2012.

**MR. HOGAN:** Okay. That was – you think at the time that was the plan, was to spend it.

**MR. SNYDER:** That was the plan.

**MR. HOGAN:** Okay, thank you.

Mr. Kast, I guess, I'll ask you this: If it wasn't spent, how would that affect the CPW for the Isolated Option?



**MR. KAST:** In as much as this – sorry. In as much as this relates to the Isolated Option, direct – it’s a directional indicator if you’re going to – if the expectation is you’re going to spend less money, then the CPW would be less. It logically follows. I can’t identify the quantum –

**MR. HOGAN:** I’m not asking you to do the number on the CPW.

**MR. KAST:** Right, but –

**MR. HOGAN:** Yeah.

**MR. KAST:** – directionally, I think we’re in the –

**MR. HOGAN:** And it’s not a small number?

**MR. KAST:** Well, yes, but you can’t say that 600 million here is going to translate directly to a 600 million there, because of the 50-year thing in the present value that you’re discounted to and so on.

**MR. HOGAN:** Somewhere between a dollar and 600 million, right? We don’t know.

**MR. KAST:** Fair enough.

**MR. HOGAN:** But it’s less, right? Yeah.

**MR. KAST:** Yeah, Sir.

**MR. HOGAN:** If we can turn to P-00771, please?

**THE COMMISSIONER:** (Inaudible.)

**MR. HOGAN:** So Mr. Wilson –

**MR. WILSON:** What tab is that?

**MR. HOGAN:** Yeah, 48.

**MR. LEARMONTH:** Forty-eight.

**MR. KAST:** Oh, what number?

**MR. HOGAN:** Forty-eight.

**MR. KAST:** Forty-eight.

**UNIDENTIFIED MALE SPEAKER:** I’ll take this out of your way.

**UNIDENTIFIED MALE SPEAKER:** Forty-eight.

**MR. WILSON:** Forty-eight. Okay.

**MR. HOGAN:** I don’t know if you want to have a read through it. What I want to ask you about is – I think Mr. Simmons had asked you about these numbers before, the one in 50 and the one in 150 for the transmission lines – years.

**MR. WILSON:** Yes.

**MR. HOGAN:** Can you – maybe just read the middle email there. It talks about a cost of 400 million for the entire lifeline – the cost premium. So can you just explain what that is? This is an email from you to David Jacobson.

**MR. WILSON:** So what this is in regards to is the basic reliability of the transmission line system, right? And the \$400 million identified here was a number that was, yeah, derived at the DG2. Work was done and provided to us by Nalcor, and that was their estimate of the additional added cost to the transmission line in order to achieve a “1:150 year” return reliability.

**MR. HOGAN:** So was this an extra 400 million since DG2? Is that what you’re –

**MR. WILSON:** No, it’s –

**MR. HOGAN:** – (inaudible)?

**MR. WILSON:** – an extra \$400 million that, you know, they would have to spend to bring the transmission line up to the one in 150.

**MR. HOGAN:** One in 150 from what? From one in one ...?

**MR. WILSON:** Whatever it was.

**UNIDENTIFIED MALE SPEAKER:** One in 50.

**MR. WILSON:** One in 50, I believe.

**MR. HOGAN:** One in 50?

**MR. WILSON:** Yeah.

**MR. HOGAN:** Okay.

And was that a recommendation you made, or is this just –

**MR. WILSON:** That was a – don't recall if we made that recommendation in DG2, but we identified it as an issue that – to Nalcor and to the PUB at the time.

**MR. HOGAN:** Okay.

And do you know if the 400 million is in the – your DG3 report or not?

**MR. WILSON:** (Inaudible) –

**MR. SNYDER:** They upgraded some portions of the line, for sure, in the Long Range Mountains.

**MR. HOGAN:** Okay.

**MR. SNYDER:** And some portions on the – in Labrador. So there is increased costs –

**MR. HOGAN:** And –

**MR. SNYDER:** – (inaudible) transmission line.

**MR. HOGAN:** Okay.

If I read the report in detail looking for that, am I gonna see that in there, and how much of that 400 million was included, or not?

**MR. SNYDER:** (Inaudible) –

**MR. HOGAN:** Or do I have to drill down into the base cost estimates?

**MR. SNYDER:** You'll have to drill down to the base cost estimate, and you'll have to look at those portions on –

**MR. HOGAN:** Transmission lines.

**MR. SNYDER:** Yeah.

**MR. HOGAN:** Okay. Thank you.

I just wanna get back to when you were initially retained. The timeline seems to me you were put in touch with Mr. Bown through Gilbert Bennett. And then, obviously, there's meetings, emails, phone calls, and you worked on the scope of work as you moved forward before you entered into a contract. Is that right?

**MR. WILSON:** That's correct.

It is necessary to define, you know, what is the engagement and what we are expected to deliver.

**MR. HOGAN:** Say that again, sorry?

**MR. WILSON:** It's necessary to define, in writing –

**MR. HOGAN:** Yeah.

**MR. WILSON:** – what's the engagement and what we're expected to deliver.

**MR. HOGAN:** So I'm just a bit – I'm wondering – usually, I would think that the client, an entity, would have a scope of work and ask someone to – say, can you do this scope of work? It seems to me the reverse was done here, where you were contracted, and then you worked on the scope of work together.

**MR. WILSON:** Partially, you can infer that. I expect, you know, typically it's a negotiation on a scope of work.

**MR. HOGAN:** Well, let's (inaudible) – typically, is that how it works or typically how do you –?

**MR. WILSON:** Well, if it's going out to bid, the scope of work is always well defined and you're bidding on it, right?

**MR. HOGAN:** Yeah.

**MR. WILSON:** In this case, development of the scope of work was done collaboratively, you know. And I didn't know what the Government of Newfoundland wanted us to deliver –

**MR. HOGAN:** No, I know. You were contacted out of the blue, I think you said yesterday.

**MR. WILSON:** Yes.

**MR. HOGAN:** But you have bid on jobs where the scope of work goes out and you'll say, yes, we can do this for that price.

**MR. WILSON:** Yeah, or we offer the price that we can do it for. Sure, yeah.

**MR. HOGAN:** Okay – fair enough.

If we could please look at P-00775.

**MR. WILSON:** What tab is that? Sorry –

**THE COMMISSIONER:** Maybe 60 (inaudible).

**MR. HOGAN:** 52. Now, if we can just scroll down a little bit, please? Keep going, keep going – okay.

So Mr. Wilson, I think you've been asked about this a couple of times, actually. It's from Brian Crawley: "Paul... I have a few comments of a technical nature which we would like to pass on for your consideration. How would you like to proceed?"

Do you recall what those technical-nature issues were? So this is September 21, 2012.

**MR. WILSON:** No, I don't.

**MR. HOGAN:** Do you know what Mr. Crawley's position was at Nalcor?

**MR. WILSON:** I don't know what his title was, but he was basically our prime contact at Nalcor for issues on the DG3 report.

**MR. HOGAN:** Would he have talked to you about technical issues?

**MR. WILSON:** Oh for sure, yes. Not – he may not understand the technical nature, but he was the main pipeline –

**MR. HOGAN:** Did you say he might not understand it?

**MR. WILSON:** Well, I don't know if he does or not, but he was the pipeline –

**MR. HOGAN:** Yeah, because we heard some evidence. I think he was referred to as a liaison.

**MR. WILSON:** Yeah.

**MR. HOGAN:** So he wasn't an engineer? Not as far as you know?

**MR. WILSON:** I don't know.

**MR. KAST:** (Inaudible) necessary?

**MR. WILSON:** I assume he's –

**MR. HOGAN:** What's that, Mr. Kast?

**MR. KAST:** Well, it's – I'm sorry, but I don't think we should speculate. It's just that he might have been.

**MR. HOGAN:** What was the speculation I asked?

**MR. KAST:** Well, whether he's an engineer or not.

**MR. HOGAN:** No, I said as far as he knows, he's not an engineer.

**MR. KAST:** I don't know.

**MR. WILSON:** What was the question?

**MR. KAST:** Whether – sorry.

**MR. HOGAN:** You've actually answered it, so it's fine.

**MR. WILSON:** Okay.

**MR. HOGAN:** Okay, thanks for that.

Mr. Snyder, yesterday, when you were being asked about the P50s, you said it was standard in the industry at the time to use P50s. Do you recall that?

**MR. SNYDER:** Yes, I do.

**MR. HOGAN:** You actually said – someone asked you, maybe Mr. Learmonth – well, where in the country have they been used? You said Manitoba, BC and Quebec. Do you recall that?

**MR. SNYDER:** I do.

**MR. HOGAN:** Okay.

What specific projects were you referring to in those three jurisdictions?

**MR. SNYDER:** In Manitoba Hydro, it would be the Nelson River projects. In BC, it would be – the project – what’s it called –?

**MR. WILSON:** Site C.

**MR. SNYDER:** Site C. They’re underway. And in Quebec, it would be – some of the projects they have on. And I don’t know the names of them.

**MR. HOGAN:** Do you know how they’ve turned out in terms of cost overruns?

**MR. SNYDER:** Not really, no.

**MR. HOGAN:** Do you know how the one in Manitoba turned out in terms of cost overruns?

**MR. SNYDER:** Yeah.

**MR. HOGAN:** So the answer not really is not really accurate is it? How did the one in Manitoba turn out?

**MR. SNYDER:** It turned out much more expensive.

**MR. HOGAN:** Maybe P50 wasn’t a good idea?

**MR. SNYDER:** You know, there was several circumstances that made that project overrun for sure.

**MR. HOGAN:** What are some of the circumstances?

**MR. SNYDER:** Number one was the rock excavation was substantially more than they had planned on. They also had a problem with –

**UNIDENTIFIED MALE SPEAKER:** Sorry.

**UNIDENTIFIED FEMALE SPEAKER:**  
(Inaudible.)

**THE COMMISSIONER:** Can you turn off your mic, Mr. Hogan, please?

**MR. HOGAN:** Okay.

**MS. VAN IDERSTINE:** I’m just concerned – and maybe Mr. Snyder can reflect on this.

Mr. Snyder – I’m not sure where Mr. Snyder’s getting his information from. He was on the board and some of the information he may have may be confidential to the board of Manitoba Hydro. I’m not certain. If it’s public information he’s giving, then that’s absolutely fine, of course.

**THE COMMISSIONER:** Okay.

So Mr. Snyder, bearing that in mind, do you wish to continue to answer your question as to what the –

**MR. SNYDER:** No, I think that’s fair – that I not continue to answer that.

**MR. HOGAN:** Can you answer this: when did the cost overruns at – is it Keeyask? Is that how you say it?

**MR. SNYDER:** Yes.

**MR. HOGAN:** When did the cost overruns first come to the public light?

**MR. SNYDER:** I really can’t answer that.

**MR. HOGAN:** Okay.

Was it before or after you signed off on this DG3 report?

**MR. SNYDER:** I really can’t say. I don’t know that.

**MR. HOGAN:** Did you have any indication of the cost overruns occurring at Keeyask while you were engaged in this report?

**MR. SNYDER:** No.

**MR. HOGAN:** No?

**MR. SNYDER:** No.

**MR. HOGAN:** Okay.

I'm just – I read an article about Keeyask, and it mentioned that one of the reasons for the overruns is lack of construction management and experience and skills with the project management team. Does that sound familiar?

**MR. SNYDER:** (Inaudible) yes.

**MR. HOGAN:** Would it be in your purview when you were doing this DG3 report to look at and evaluate – this is for all three of you – the level of experience of the project management team?

**MR. SNYDER:** It wasn't our – wasn't in our purview at all.

**MR. HOGAN:** It wasn't? Mr. Wilson, do you agree?

**MR. WILSON:** I agree, yeah.

**MR. HOGAN:** Okay.

Mr. Kast?

**MR. KAST:** Well, I expect that when we're dealing with an organization, the type that we were, that we have professionals, and I respect their professional stewardship.

**MR. HOGAN:** It's probably a fair assumption.

Would you be surprised to learn that only one member of the project management team had experience in hydroelectric projects?

**MR. KAST:** I cannot pass judgment on that.

**MR. HOGAN:** Would you be surprised to learn that?

**MR. KAST:** I can't comment. I can't comment whether I'd be surprised. It's –

**MR. HOGAN:** Well, you just – what was your reaction when I said that? Were you –?

**MR. KAST:** Well, because the thing is did they have a team of 30? Did they have a team of two?

**MR. HOGAN:** Okay.

**MR. KAST:** I mean, if that's the only person, you know, you might draw a different conclusion. I don't know. I don't have enough data to draw an opinion, so I won't.

**MR. HOGAN:** Anyone – Mr. Wilson?

**MR. WILSON:** I'm not gonna offer an opinion on that.

**MR. HOGAN:** Mr. Snyder?

**MR. SNYDER:** No opinion.

**MR. HOGAN:** Okay. If we could turn to P-00058, please, again, I think this is the report, page 59.

And just scroll down, please. Scroll up. Can we just scroll up a little bit more, I don't know if I have the right reference. Yeah, I do, okay.

So, you recalled this yesterday, it was put to you in, I think, the draft version of this, which was a little bit more lengthier – little lengthier: "The LTA Decision Gate 3 estimate includes a 9.1% contingency which is reasonable when combined with conservative inputs on labour and indirect costs."

I think in the other draft we looked at it said something about it was reasonable because 25 per cent of the contracts for the project were fixed costs. Do you recall that conversation yesterday?

**MR. WILSON:** Sorry, no, I don't.

**MR. HOGAN:** You don't?

**MR. WILSON:** No, I don't.

**MR. HOGAN:** Well, I'm putting that to you now then, would that make sense to say that contingency of 9 per cent is reasonable if 25 per cent of the contract prices are fixed?

**MR. WILSON:** That appears to be within the bounds of that AACE 3.

**MR. HOGAN:** My question is, then, is there a formula where you do that? So, you know, for example, if 50 per cent were fixed then we can lower the contingency to three or –

**MR. WILSON:** That is how that math works and that system.

**MR. HOGAN:** Is there an actual formula you use for that?

**MR. WILSON:** I'm not sure if that's a formula, but it is probably an interpolation between two points.

**MR. HOGAN:** Okay, so was it a formula in this case or was it – we're using nine – Nalcor says we're using 9 per cent because we have 25 per cent.

**MR. WILSON:** Well, let me go back to – this is Mr. Tom Moffat's report – and I don't exactly know what he did to determine his – to gauge how he determined that was reasonable. He would've discussed that at level with Mr. Snyder, so let Mr. Snyder jump in if he so chooses.

**MR. HOGAN:** Sure. Anything to add on that?

**MR. SNYDER:** Well, he would have been – he definitely met with people here at Nalcor and, you know, because we would have normally had a larger percentage, but after reviewing the numbers with the people here, deemed that the 9.1 per cent that was left to be, as a contingent factor, was reasonable.

**MR. HOGAN:** Based on the conversations with the Nalcor project team?

**MR. SNYDER:** Yes.

**MR. HOGAN:** Okay. All right.

That's all the questions I have.

Thank you.

**THE COMMISSIONER:** Former Nalcor Board Members? I don't believe there is anyone here.

Manitoba Hydro?

**MS. VAN IDERSTINE:** So, first, if I might have Exhibit 00049 come up, that is tab 9 and if we could have the witnesses turn to page 213.

**MR. WILSON:** What's the page number?

**MS. VAN IDERSTINE:** It's 213.

**MR. WILSON:** Okay, this is the volume 2, I don't have this in front of me. It's in the common book.

**THE COMMISSIONER:** So you look at the common book.

**MR. WILSON:** Yeah, in the common book.

**MR. KAST:** This one here.

**MR. WILSON:** (Inaudible.) Which tab again?

**MS. VAN IDERSTINE:** It would be tab 9.

Now, first of all, I'm just going to confirm that Exhibit P-00049 was the volume 2 of the report that you provided to the PUB, is that right?

**MR. WILSON:** Okay, hang on a second here.

I'm on the wrong tab here.

**THE COMMISSIONER:** Yeah, that's tab 9 in the common book but it's tab 9 in the other book. I'm not sure that they have a –

**MS. VAN IDERSTINE:** Okay.

**THE COMMISSIONER:** – copy of that. So we can –

**MS. VAN IDERSTINE:** Okay, sorry.

**THE COMMISSIONER:** – bring that up on the screen though, Ms. Van Iderstine.

**MR. WILSON:** Yeah, okay.

**MS. VAN IDERSTINE:** Yeah, it is on the screen now.

**MR. WILSON:** It's on the screen. Okay.

**MS. VAN IDERSTINE:** Yeah.

**MR. WILSON:** Yeah.

**MS. VAN IDERSTINE:** So, first of all, I'm just confirming, this is the DG2 report that was

provided to the Public Utilities Board of Newfoundland –

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** – and Labrador? Okay.

And so at the – to page 213 at the end of that report and you've listed on that report the team and qualifications that were involved, I take it, in the DG2 report?

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** So, if we look over to – further down on that same page – going a little further, sorry – must have the wrong number, page number. You've got – you went through the responsibilities of each of the – and the names of each of the members of the team.

**MR. WILSON:** Mm-hmm.

**MS. VAN IDERSTINE:** And you'll see – you can stop there, thank you – a number of the same people are identified in the DG2 report as I understand were involved when you did DG3?

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** And so if somebody were looking to understand the qualifications of some of the people who were involved in the DG3 report, would this be a good spot for them to start?

**MR. WILSON:** Yes.

**MS. VAN IDERSTINE:** Okay.

And so if we look just a little further along, somebody was asking about Mr. Kellas's qualifications. We have him – a description of what he does right there. And that would be (inaudible).

**MR. WILSON:** Correct, yeah.

**MS. VAN IDERSTINE:** And, similarly, if you go over to page 218, you'll see Mr. Horocholyn's qualifications.

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** Now, it's not – they weren't exactly the same team members, as I understand, that – rather than Mr. Chaput you had Mr. – or Dr. Jacobson involved.

**MR. WILSON:** We had Gerry Proteau involved.

**MS. VAN IDERSTINE:** Gerry Proteau, sorry.

**MR. WILSON:** And, yeah, that was –

**MS. VAN IDERSTINE:** And did you put the – a similar description of the qualifications in the DG3 report of all the –

**MR. WILSON:** No, we did not, but I believe they were in the proposal that was issued.

**MS. VAN IDERSTINE:** And why is the team a little different for DG3 than for DG2?

**MR. WILSON:** Availability of some of these people, and largely what's driving it is what, you know, work products that we needed to study. So some of them were a little different in this – go around then in the DG2 analysis.

**MS. VAN IDERSTINE:** So, and how – in terms of how – deciding who to involve or what expertise to involve, how did you determine that?

**MR. WILSON:** I would rely on Mr. Snyder and his recommendations –

**MS. VAN IDERSTINE:** So –

**MR. WILSON:** – as who should be included.

**MS. VAN IDERSTINE:** – Mr. Snyder, how did you determine who should be included?

**MR. SNYDER:** What I was looking for was the best people that could help me and that were available during the time frames that we required them, which was a relatively short time period, began the spring of 2012 and ran through the summer, and so made sure that people would be available as required.

**MS. VAN IDERSTINE:** Okay.

So if I could turn next to Exhibit P-00727 and that is at tab – doesn't look like it's in your book – so Exhibit 00727. This is a news release dated April 2, 2012. Now, first of all, Mr. Wilson, were you aware of or were you involved in drafting that news release?

**MR. WILSON:** I believe I was aware of it. I did not draft it.

**MS. VAN IDERSTINE:** And at that time, by April 2, 2012, do you know whether you were – had confirmed the team and the terms of engagement.

**MR. WILSON:** Not at all. No.

**MS. VAN IDERSTINE:** When you say not at all –

**MR. WILSON:** This was very preliminary.

**MS. VAN IDERSTINE:** So had you determined that – the terms of engagement at that point?

**MR. WILSON:** No. We were not even – I hadn't even drafted the scope of work yet.

**MS. VAN IDERSTINE:** And you did ultimately give a report which has been obviously discussed today, and that came out at the end of October 2012.

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** And after that, did you have any other contact with the government or Nalcor with respect to the scope of work or the work that was done on either DG2 or DG3?

**MR. WILSON:** After the end of October there was no further contact. I believe I sent an email to Mr. Charles Bown in December when the federal loan guarantee was announced.

**MS. VAN IDERSTINE:** Mr. Kast, Mr. Snyder, did you – either of you have any further involvement with the project?

**MR. KAST:** I did not.

**MR. SNYDER:** I did not.

**MS. VAN IDERSTINE:** And so between the end of October or so and this past summer, did you have any reason to think of or bring forward or review any of the documentation relating to the Muskrat Falls Project and the report you prepared?

**MR. WILSON:** No, I had no opportunity.

**MS. VAN IDERSTINE:** So there was just a question just now about the timing of Manitoba Hydro's proposal for Keeyask, and I can bring it up but, Mr. Snyder, I think you can comment on this. Was the NFAT, which is the Needs For and Alternatives To – and if anybody's looking for it, it's Exhibit P-00106 in this hearing – I understand that took place in 2014?

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** And so in 2012, the time you were doing this report, would the sanctioning of that project have gone ahead?

**MR. SNYDER:** The sanctioning of the –

**MS. VAN IDERSTINE:** Of Keeyask.

**MR. SNYDER:** – Keeyask project? I don't know whether it had been sanctioned at that time or not.

**MS. VAN IDERSTINE:** Okay.

So, Mr. Wilson, after being contacted by Mr. Bown, you then did work out some terms of – and the scope of work. And if we look at Exhibit 00742 – tab – Exhibit 00742, which is tab 19. Can you just turn to take a look at that for a moment?

First of all, the email is – this is attached to – is from Charles Bown to Walter Parsons. And I recall you mentioning in your evidence earlier that you thought you knew who Walter Parsons was. Can you tell us who he is?

**MR. WILSON:** I believe he was actually attached to Charles's department within the Government of Newfoundland.

**MS. VAN IDERSTINE:** Did you say you thought he had previously worked at Manitoba Hydro?



**MR. WILSON:** I believe he did, and retired at some point.

**MS. VAN IDERSTINE:** And would – therefore did he have some understanding then of the nature of the project that was undergoing or did you have any other further involvement with him?

**MR. WILSON:** I don't believe we had any further involvement with him.

**MS. VAN IDERSTINE:** I –

**MR. WILSON:** I don't recall (inaudible).

**MS. VAN IDERSTINE:** Now when you were retained to do this review, was it a forensic audit you were asked to do?

**MR. WILSON:** No, it was not.

**MS. VAN IDERSTINE:** And we've heard some questions put to you about whether or not it was a business case that you were reviewing. Did you – were you reviewing the business case?

**MR. WILSON:** No, we were not. We were reviewing the CPW analysis and they're quite distinct.

**MS. VAN IDERSTINE:** And what would go into a business case analysis?

**MR. WILSON:** I'm going to let Al Snyder actually respond to that, he'd be better qualified to.

**MS. VAN IDERSTINE:** Okay.

**MR. SNYDER:** A business case would have all of the costs, all of the options available. And you'd want to ensure that you'd captured everything along the way: all of the risks that would be inherent in projects, inherent in staffing, inherent in setting up, inherent in getting licences.

**MS. VAN IDERSTINE:** Does it – what does it include, a review of rates?

**MR. SNYDER:** No.

**MS. VAN IDERSTINE:** But did your review include a review of rates?

**MR. SNYDER:** No, it did not.

**MS. VAN IDERSTINE:** Or rate impacts?

**MR. WILSON:** We didn't.

**MR. SNYDER:** No.

**MS. VAN IDERSTINE:** Did you make any recommendations with respect to rates?

**MR. SNYDER:** No, we did not.

**MS. VAN IDERSTINE:** Were you asked to?

**MR. SNYDER:** No.

**MS. VAN IDERSTINE:** So looking at – if you can scroll down on this exhibit, I'm going to be going back and forth between this exhibit, 00742 and 00741, so – which is at tab 16 in the book. So this is the scope of services that I understand was ultimately signed.

So if we could scroll down to page 4, a little further, under point 3. So when Mr. Learmonth was asking you questions about the content of your report, and there were comments in the report in various sections about either – some comment with respect to contingency. Can you look at the information which was required – and you've got under (inaudible) points. And tell me under what sections or why that information with respect to contingency might be contained in your DG2 report relating to Muskrat Falls.

**MR. WILSON:** Helga, just to confirm, this – is this the final scope of work that we received?

**MS. VAN IDERSTINE:** I believe so. You can take –

**MR. WILSON:** I don't think – I think this is very detailed.

**MS. VAN IDERSTINE:** You can take a look down to the end. I may have the wrong one. If we can go to the last page just to see if it's the signed one.

**MR. WILSON:** No, it's not.

**MS. VAN IDERSTINE:** Oh, sorry. Okay, let's go back up then and I'll ask the question about that going back up.

Can we – and scroll down to point 4 – point 8 and 9, are they – are points 9 to 13 in this section, on this tab? They got removed. Sorry.

Okay then let's go to 00741 because that's the one I want to look at.

**MR. WILSON:** Okay.

**MS. VAN IDERSTINE:** Or tab 740 – Exhibit 00741. If we go down to –

**MR. KAST:** Just a second, we didn't find it yet.

**MS. VAN IDERSTINE:** Oh, that's tab –

**THE COMMISSIONER:** Tab 16.

**MS. VAN IDERSTINE:** 00741, it's tab 16.

**MR. KAST:** Tab 16.

**MS. VAN IDERSTINE:** Yeah.

**MR. WILSON:** Okay. Okay.

**MS. VAN IDERSTINE:** And now if you can go over, I think it's on page 5 of this one. And you'll look at Roman numerals – starting at Roman numeral x – go back one page actually, 8 or 7 – sorry, 4? Yeah, and scroll down to number viii, ix. So starting at point ix, I understand that Roman numeral ix, x, xi, xii and xiii were removed from the final report. Is that correct?

**MR. WILSON:** I believe it was removed from the scope of work –

**MS. VAN IDERSTINE:** Right.

**MR. WILSON:** – that one – ix, xiii is not in. I believe x is in at some level.

**MS. VAN IDERSTINE:** And if we look over at page 5. And point number xi, the "Risk Analysis review. Review Nalcor most recent risk analysis assessment for gaps, suitability to task, and appropriateness of reserve margins for costs estimate contingency.

"Information required: Strategic Risk Assessment Updated Report, and Westney" report "update if available."

Was that included in your final report, or final scope of work, excuse me?

**MR. WILSON:** It's not included in our final scope of work.

**MS. VAN IDERSTINE:** And if we go down a little further. Was there any reason given to you why that was taken out of the report, that commentary with respect to strategic risk?

**MR. WILSON:** It was taken out of the –

**MS. VAN IDERSTINE:** Taken out the scope of work, excuse me.

**MR. WILSON:** Taken out of the scope of work?

I cannot comment on it. It was, you know, a scope of work that I received back that was all edited up.

**MS. VAN IDERSTINE:** So, when you were retained to do the DG2 report by the PUB, I understand that the purpose of doing that report was to look at the technical feasibility and CPW of the two power-supply options. Is that correct?

**MR. WILSON:** That's largely correct, under the terms of reference.

**MS. VAN IDERSTINE:** And so how did what you were being asked for the – to do in the DG2 report compare to what was being asked in the DG3 report?

**MR. WILSON:** The DG2 report was much more comprehensive 'cause we needed to validate the entire CPW model as well as all of the inputs into that CPW analysis.

There was also the Public Utilities Board requirement, as well. You know, the RFIs. They had their own public hearings. They had planned a technical conference. So there was those elements –

**MS. VAN IDERSTINE:** And just to be –

**MR. WILSON:** – in that scope of work.

**MS. VAN IDERSTINE:** Right, and just to be clear, an RFI is a request for information.

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** And it's done in a formal way of sending out a question and then a formal response comes back.

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** But that was – RFIs were posed to Nalcor?

**MR. WILSON:** They could have been posed from anybody to anybody, actually, but, yeah.

**MS. VAN IDERSTINE:** In order to obtain the information, the facts, for your report?

**MR. WILSON:** So for us we would pose questions to Nalcor and get those back.

**MS. VAN IDERSTINE:** And we heard evidence earlier that from Nalcor representatives Mr. Stratton, Walton and Warren that they met with representatives of Manitoba Hydro International to do some of the review of their CPW inputs. Does that meet with your recollection?

**MR. SNYDER:** Yes, they did.

**MS. VAN IDERSTINE:** Now, Mr. Snyder or Mr. Kast, I understand the model that Nalcor was using was something called Strategist.

**MR. SNYDER:** Yes.

**MS. VAN IDERSTINE:** And can you just briefly describe what that is and how that works, if you can?

**MR. SNYDER:** Mack, you better do that.

**MR. KAST:** I could do it and if you believe there's anything that should supplement.

The Strategist model takes into account quite a number of variables and that's why it's complicated. It would first of all take into account the load that – or the customer demand,

if you like. And it would also take into account the various means to supply to meet that load.

So, in this particular instance, we're talking about the operating expenses otherwise known as the opex. It would take into supply – into consideration the purchase power agreements, the PPAs. It would take into account the fuel costs, take into account depreciation and so on; depreciation, rate of return.

All the inputs, basically, that would be attributed to the components of the Isolated Island Option. Anything that's cost related going forward for 50 years and the same thing on this side. So, it brings into – takes into account all the cost components and then the load and the supply and attempts to match them up and come out with a –

**MS. VAN IDERSTINE:** So this model, is it a computer program?

**MR. KAST:** Definitely.

**MS. VAN IDERSTINE:** And is it something that you can put the figures into like a calculator and it comes up virtually instantaneous once you put the figures in?

**MR. KAST:** Not possible.

**MS. VAN IDERSTINE:** And so how long does it take to run those kind of modelling, in your experience?

**MR. KAST:** It would take – can't say for sure – but it would be hours. It depends on the type of machine that you're using to run the model.

**MS. VAN IDERSTINE:** Okay.

So were you – did you have any concerns about the – Nalcor's use of Strategist as their modelling?

**MR. KAST:** No. No, I didn't. I mean, it's – there's no suggestion that the model was not appropriate for the circumstance and I have no doubt about the integrity of the people who were operating the model.

**MS. VAN IDERSTINE:** So is it fair to say that for both the DG2 and DG3 reports, you were looking at the CPW analysis?

**MR. KAST:** Most definitely. That was the basis, in a big way, of the assignment that we had.

**MS. VAN IDERSTINE:** Yeah. So let's just look at – can you look at the – can we have exhibit 00048 come back up? That's the DG2 report. And if we could have page 40?

**MR. KAST:** Yes.

**MS. VAN IDERSTINE:** Now, can you tell me, Mr. Kast, what this is – this diagram tells us? And how this works?

**MR. KAST:** Well, it basically captures what I had just articulated. It's a –

**MS. VAN IDERSTINE:** So, first of all, so is this a CPW analysis or modelling? Or does it tell us anything about CPW?

**MR. KAST:** It does. It's – it reflects the steps in the – not necessarily steps, but the ingredients that are gonna go onto the CPW to get the end result, which we see at the bottom of the page, CPW Analysis.

**MS. VAN IDERSTINE:** Okay. So can you tell us how you would use this then in establishing a CPW?

**MR. KAST:** Well, you – I think this is basically what I attempted to –

**MS. VAN IDERSTINE:** Should we go to the top for the – so just for people watching on the screen, let's start at the top and then work down.

**MR. KAST:** Okay. At the start, we have the start. Okay. So I talked about the load forecast. We were going to put in a load forecast. We need to know what we're trying to serve over the period. We talk about the power resource planning. So what opportunities do we have to serve that load?

**MS. VAN IDERSTINE:** And so where do you get that information on load forecasting and power resource planning to input?

**MR. KAST:** Well, it comes from the client, and basically my colleagues to my left here would have been providing that data.

**MS. VAN IDERSTINE:** And so how –

**MR. KAST:** And scrubbing it.

**MS. VAN IDERSTINE:** So on DG2 versus DG3, was there any difference in terms of the information that was going into those inputs?

**MR. KAST:** I'll ask my colleagues for confirmation on that. I don't recall. I would expect, but I'm not sure to what extent. We updated some of this data from DG2 to DG3. It's –

**UNIDENTIFIED MALE SPEAKER:**  
(Inaudible.)

**MR. KAST:** Yeah, but in terms of the load forecast and so on, maybe Mr. Snyder could assist in this.

**MR. SNYDER:** Well, the load forecast was re-evaluated for sure, between the DG2 and DG3, and power resource planning, the two options were still the two options.

**MS. VAN IDERSTINE:** So, then you've got the load forecasting in and then you add the power resource planning into the model and then what do you do?

**MR. KAST:** Well, then we looked at the various studies to provide the power or the generation to serve each of them and –

**MS. VAN IDERSTINE:** So on the left-hand side what –

**MR. KAST:** Well, we have the Interconnected Island, that's Muskrat Falls LIL studies and so on and on the right-hand side we have the Isolated Island Option.

**MS. VAN IDERSTINE:** And why – what's the middle diagram showing?

**MR. KAST:** Well, those are facilities that are common to both, and the objective was to separate. It's not necessary to redo the costs that are common to both because it gives you a zero

sum. So what we're looking for is the cost of this without taking into account common costs and the cost on this side – without taking into account common costs.

**MS. VAN IDERSTINE:** Okay, so if we go down a little further, once you've got all those inputs, then what do you do?

**MR. KAST:** Well, you review them and then the reliability of the resources that you've got in place. So we see each of the component parts on the left side with respect to the Interconnected, we talk – we see Muskrat Falls, et cetera, et cetera, the Strait of Belle Isle crossing and so on. And then on the other side we see the fuel plants, Holyrood and scrubbers, et cetera. So the question is what about the reliability of the plants that are going to serve the load?

**MS. VAN IDERSTINE:** So where in here do you see – do you have – include things like fuel and capex?

**MR. KAST:** Fuel and capex come into play – they're one of the ingredients that would be the cost to serve. Well, that's the result. Well, the feasibility studies here would reflect the fuel and the capex and so on.

**MS. VAN IDERSTINE:** Okay.

**MR. KAST:** So for the Muskrat Falls, on the left side we see Muskrat Falls and then we have different studies and costs for those particular items.

**MS. VAN IDERSTINE:** Okay, so if we go down to the bottom, I just got to the point where they – you're coming back together in the middle and then you do a CPW analysis.

**MR. KAST:** Right.

**MS. VAN IDERSTINE:** So what is it then the CPW analysis is showing us at the end of the day?

**MR. KAST:** Well, it's going to show us the present value of all the costs that we had identified over the future 50 years for each of the two options.

**MS. VAN IDERSTINE:** So if you were going to add in something like strategic risk into this analysis, where would you put that and how would it be addressed?

**MR. KAST:** Well, the first thing you'd – what you'd want to do is make sure that if we're going to bring strategic risk into it – that's an assumption – that we'd want to do it in a balanced way. And so if we're going to do it with respect to the Muskrat Falls side – and I did discuss this earlier – if we're going to do it on that side in terms of all the component costs on that side – because that's the biggest factor – so you would look at the potential for the cost to vary relative to what you had estimated, and then over the 50 years. And then on the right-hand side with respect to the Isolated Option, you'd do the same thing. So you need to identify the fuel cost was a major component – I think we saw some place it was 67 per cent.

And so you look at those with some critical view to make sure that – are they reasonable. So, then, with each of those, you get to the end result and perhaps you're going to go there, but I think it's important because I always want to talk about that sensitivity with respect to the costs that we put in. But, you know, we –

**MS. VAN IDERSTINE:** Yes, I do want to talk about sensitivity.

**MR. KAST:** Okay.

**MS. VAN IDERSTINE:** So if we can go over to page 75 of – oh sorry, Exhibit 00058, please.

**MR. KAST:** What tab is that?

**THE COMMISSIONER:** It's tab 5 in the big book.

**MS. VAN IDERSTINE:** Tab 5, yeah, at page 75 of that one.

So I'm going to come back. So –

**MR. KAST:** Okay, yeah, sensitivity.

**MS. VAN IDERSTINE:** And this is what you're talking about doing the sensitivity analysis?

**MR. KAST:** Yes, it is. It reflects the results.

**MS. VAN IDERSTINE:** Okay. So this DG3, this is the report you did for government in 2012. And so what can you tell us about what this chart reflects?

**MR. KAST:** What it reflects is a comparison relative to the base case for each of the two options.

**MS. VAN IDERSTINE:** Okay, so let's start off. What's the base case? And what is that – where did you get that number?

**MR. KAST:** Well, the base case is based on the base run with all the costs without introducing any sensitivity.

**MS. VAN IDERSTINE:** Yeah.

**MR. KAST:** So these are the costs that we believe to be the reasonable costs, the baseline costs and so on. We put them in for each of the years over the 50 years.

**MS. VAN IDERSTINE:** And then we've talked about earlier – and I won't go over it again how – that you wanted to check the fuel and you wanted to check it against capex for the ...

So, first of all, why chose 10, 25 – 10 per cent and 25 per cent for the increases in capex and 10 per cent for the decrease in capex?

**MR. KAST:** Well, it gives you an appreciation for the sensitivity. So if capex is going to go up 10 per cent and we see the Interconnected Option here and we see that the CPW is 8.882 relative to the 8.336, so if we go to a 25 per cent increase you have an appreciation for what the difference is. It gives the reader of the report a bit more information in terms of the volatility of the sensitivity, if you like.

**MS. VAN IDERSTINE:** And so why would you use – when you use the PIRA fuel prices and you used low, high and expected, why would you just use low and high rather than saying 10 per cent increase or 10 per cent decrease?

**MR. KAST:** Well, because the low price was – it's a prescribed number that's respected, sort of

thing. I mean, if we had to go back and apply percentages specifically, then it would be quite a bit more complicated. Low price would have been identified. I'm not sure exactly what document that came from but that would have been a generated document.

**MS. VAN IDERSTINE:** And if we go down to – scroll down a little bit further, there's another table of PIRA fuel prices. Why did you – this is the – table 14 looks at price asymmetry. Now, what is this all about?

**MR. KAST:** Well, when you talk about fuel pricing, I'm not quite sure. Like, with the PIRA fuel prices –

**UNIDENTIFIED MALE SPEAKER:**  
(Inaudible.)

**MR. KAST:** Well, okay, so we have the reference price. The reference price is what we used in our report and the reference price is the delivered price at a particular point. And then we have the expected price, and I believe that reflects the reference plus a low and a high.

And so these numbers that we used here in – can be referenced back to a specific document produced by a respected organization known as PIRA so that we could identify them. So we're using a respected source as an indicator in our report.

**MS. VAN IDERSTINE:** Thank you.

So was there anything else you wanted to say about the way you conducted the CPW analysis that hasn't been covered today?

**MR. KAST:** Well, I think the CPW – not really. I think the CPW analysis was done in a very thorough fashion. And I have said it before, it's a sensitivity that's critical, we can't just stop at the one number.

And when we talk about the numbers, I have to reiterate that it's important to look at both sides. If we're going to talk about the potential risk on this side and we want to maybe do an impact analysis of that, I think it's fair to do it on this side. So if we want to talk about the fuel – capex cost in this side and it represents a large portion of the Interconnected, then we should pay

attention to the single-largest component of the other side.

And so what I'm trying to do there is always bring to the table those components that have the most impact on the end result, and not look at one in isolation and then say, well, you know, maybe we could've done better, for example.

**MS. VAN IDERSTINE:** Mr. Wilson, there have been a number of questions that have been asked about strategic risk. So for the DG3 report, what was your understanding as to how the strategic risk was going to be accounted for and by whom?

And I address that to you, Mr. Wilson, but I think Mr. Snyder might also be able to answer that.

**MR. WILSON:** My general understanding that the strategic risk was to be basically dealt with at by the Gatekeeper and undertaken by the shareholder.

**MS. VAN IDERSTINE:** The Gatekeeper being who?

**MR. WILSON:** The Gatekeeper in this case, I believe, was the president and CEO of Nalcor.

**MS. VAN IDERSTINE:** And when you say – and the shareholder is who?

**MR. WILSON:** Well, the shareholder would be basically the Government of Newfoundland and the people here.

**MS. VAN IDERSTINE:** And do you recall who told you that?

**MR. WILSON:** No, I do not.

**MS. VAN IDERSTINE:** Mr. Snyder, did you have anything further?

**MR. SNYDER:** No, I didn't have anything. I didn't – wasn't involved in that part of the discussion.

**MS. VAN IDERSTINE:** Well, we've been talking about Decision Gate 3. Can you tell us what your understanding of what a Decision Gate 3 is, either one of you, or any one of you.

**MR. SNYDER:** Basically, it's a point in time when planning stops and construction begins.

**MS. VAN IDERSTINE:** So when you – in the report that we have that you produced where you say on a number of occasions that you think that the information was sufficient to sanction or the – yeah, the Decision Gate 3 or to sanction – for Decision Gate 3, what were you meaning by that?

**MR. SNYDER:** What I was meaning was that the developer, Nalcor, was in a position to be able to proceed with construction of the Muskrat Falls.

**MS. VAN IDERSTINE:** Now, we've seen over the last couple of days a number of draft reports that MHI produced. First of all, Mr. Wilson, were those drafts or – and the final draft reviewed with Mr. Brown – or Bown? Excuse me.

**MR. WILSON:** They were certainly submitted to him.

**MS. VAN IDERSTINE:** And why were you submitting them to him?

**MR. WILSON:** Because he was my client, and it was important that he be aware of what we were producing.

**MS. VAN IDERSTINE:** Now, you've mentioned that he is your client. Did you have any communications with – we've talked about Mr. Parsons – any other communications with anybody in government about your report during the time it was being prepared?

**MR. WILSON:** Not that I recall, no.

**MS. VAN IDERSTINE:** Did Mr. Bown ever suggest to you, or comment to you, that he was not satisfied with the work that was being done or that it wasn't meeting the expectations of the scope that they had retained you for?

**MR. WILSON:** This is not my impression, but I don't have a recollection.

**MS. VAN IDERSTINE:** And in the last six years did he – since then have you – has he ever communicated to you or has anyone ever

communicated to you any concerns about the report?

**MR. WILSON:** No, not at all.

**MS. VAN IDERSTINE:** Or suggested to you that it didn't meet the government's needs?

**MR. WILSON:** No.

**MS. VAN IDERSTINE:** Mr. Snyder?

**MR. SNYDER:** No, I've had no contact with anybody from the Government of Newfoundland since 2012.

**MS. VAN IDERSTINE:** Mr. Kast?

**MR. KAST:** Not at all.

**MS. VAN IDERSTINE:** One of the questions was about the lack of the bibliography, which was a part of your scope of work. Was Mr. Bown aware that this bibliography had been removed from the report?

**MR. WILSON:** I'm sure he was, yes.

**MS. VAN IDERSTINE:** Did he ever mention to you that he was concerned about that?

**MR. WILSON:** I'm – no, I believe we discussed its removal.

**MS. VAN IDERSTINE:** So we've seen the – to the extent they're available – the records and the email communications that you were able to produce or the – that MHI was able to. In addition to email communications, we've heard about meetings, were there telephone conversations?

**MR. WILSON:** I believe there was, yes.

**MS. VAN IDERSTINE:** Do you know how regularly or how often they were?

**MR. WILSON:** No, I don't.

**MS. VAN IDERSTINE:** Do you recall whether he questioned or had raised any concerns when he saw the red lining in the report that came out mid-September, 2012, where there was a

number of items being removed? Did he raise any concerns about that?

**MR. WILSON:** Not to my recollection.

**MS. VAN IDERSTINE:** And had he – had anyone raised concerns about that, how – what would your approach be to addressing concerns raised by your client?

**MR. WILSON:** I think it was demonstrated in some cases where we would, basically, push back and disagree with the change or how Nalcor was treating, for example, the escalation and contingency as one number. We were questioning the validity of that and their treatment of that. So that – the issue like that was raised.

**MS. VAN IDERSTINE:** So I think we've got – yeah, we've got Exhibit P-00058 on the monitor. If we could go to page 55 of that report. And just scroll down to section 2.6.1 – (inaudible) I've got the wrong numbers – Scope of Work.

So this is the – do I understand this to be – this section is with respect to the Muskrat Falls generating station, it's specifically that component of the project?

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** And so if we go down a little further on the page to – actually the bottom of page 57, under 2.6.4 Cost Estimates.

Is this just – again, you're talking just about the Muskrat Falls generating station. Is that correct?

**MR. WILSON:** I believe so.

**MS. VAN IDERSTINE:** And you comment that the costs have increased by 25 per cent on that – in that – at that point after allowing for a decrease of escalation and contingency funds in 2012.

**MR. WILSON:** That's 21 per cent.

**MS. VAN IDERSTINE:** 21 per cent, sorry. Did you have any – did anybody raise any concerns about that or ask any questions to you about that? That you can recall?



**MR. WILSON:** Not to my recollection, no.

**MS. VAN IDERSTINE:** And what was the purpose of putting in that specific cost increase into the report?

**MR. WILSON:** Well, I think it's important to note this to our client that, you know, there have been cost increases and by how much, over what was reported in DG2.

**MS. VAN IDERSTINE:** Now, we've heard a bit about a meeting in Toronto that you attended. Can you recall who requested you attend that meeting?

**MR. WILSON:** Well, that request would – came from Charles Bown.

**MS. VAN IDERSTINE:** And do you know who was in attendance at that meeting?

**MR. WILSON:** Not specifically. Charles Bown was there. Kathy Dunderdale was there. Beyond that I don't know.

**MS. VAN IDERSTINE:** Now, you prepared the presentation but you obviously didn't do it. Do you know – so can you tell us exactly how, if you can recall, how your involvement with that group was at that meeting?

**MR. WILSON:** Mmm. I didn't give a presentation; I did it on my own initiative to prepare it just in case. But for the large part I was called into a meeting and basically to allow them the opportunity to ask me questions. I don't recall the nature of the questions exactly.

**MS. VAN IDERSTINE:** So were you in attendance in the meeting for the whole period of time or how did that ...?

**MR. WILSON:** Well, that was very, rather brief. I was brought in for a session, perhaps half an hour or so; then asked to leave the meeting. I waited around another half an hour or so, and then they called me back in again. Continue on.

**MS. VAN IDERSTINE:** And was that the last you heard from the Government of Newfoundland and Labrador with respect to this report?

**MR. WILSON:** I think shortly after that we issued the report and then that was the end of the engagement, yes.

**MS. VAN IDERSTINE:** Now, I just want to take you to something that's come up a number of times today and that's with respect to this transcript of your interview with Mr. Learmonth. So first of all, you recall that interview, I take it?

**MR. WILSON:** Yes, I do.

**MS. VAN IDERSTINE:** And where were you when the interview was taken?

**MR. WILSON:** I was in Vancouver at the time.

**MS. VAN IDERSTINE:** And so Mr. Learmonth was in Winnipeg with me, and Mr. Kast, and Mr. Snyder –

**MR. WILSON:** Mmm.

**MS. VAN IDERSTINE:** – and a representative of MHI.

**MR. WILSON:** That's my recollection, yeah.

**MS. VAN IDERSTINE:** But you weren't actually in physical attendance.

**MR. WILSON:** I was not.

**MS. VAN IDERSTINE:** Okay.

So with that interview, one of the questions that came up to you and was read to you was from pages 12 and 13 of the transcript, and let me just read a portion of them.

Mr. Learmonth starts with: Okay, did you personally review the DG3 project costs schedule and – schedule risk analysis that was in the possession of Nalcor? Mr. Wilson: Project costs and risk analysis? Mr. Learmonth: Oh, any – never mind the one, any project cost and schedule risk analysis provided by Nalcor in relation to your preparation of the report? Mr. Wilson: Not in individual pieces, no. The one that comes to mind would be the Westney report for strategic and management risks. Mr. Learmonth: Did you previously review the Westney report – personally review the Westney report? And you say: I read it. And Mr.

Learmonth says: Did you incorporate the contents of the Westney report into the report that MHI prepared – the report? Mr. Wilson says: I believe Mack Kast, actually, did that part of it.

Now, the Westney report you're referring to, as I understand it, is Exhibit 00763. So perhaps we can pull that one up, and that's tab 40. And if we can go to – scroll down in that report. And if you can look through this report.

So, first of all, the cover page says Nalcor – Westney Consulting Group, Inc., Nalcor Energy, Nalcor Energy Estimate Accuracy Analysis for Lower Churchill Project, May 23 to June 4, 2012.

Is that the report you were looking – thinking of?

**MR. WILSON:** Yes.

**MS. VAN IDERSTINE:** And if we look through that report – can you look through that report – is there anything in this particular report about strategic risk?

**MR. WILSON:** There is not.

**MS. VAN IDERSTINE:** Okay, so – and is this the report that Manitoba Hydro International had in its records and produced through this process?

**MR. WILSON:** Yes, I believe so. Yeah.

**MS. VAN IDERSTINE:** Now, if we look over to page – so, in that segment, before they went in – on to page 13 and started asking you some further questions, you said let's refer to Mr. Kast about that report.

And if we go on to when Mr. Kast, then, gets a chance to respond to it – and that's over on page 26 of the interview. Mr. Kast says: It might be a right time to inject here. Okay. This is Mack Kast speaking – Mr. Learmonth, sorry.

Mr. Kast: Could you give me the specific reference in the Westney report for the 497 so I can see where it is in the Westney report? Mr. Learmonth: Well, I don't have a copy of it right now but you received it. Mr. Kast: Well, I have the Westney report here, and I'm looking at the

number that you've – that you were talking about, so I can relate to it. Mr. Learmonth: Well, I don't have the Westney report with me, but I can assure you that there was that recommendation. And Mr. Kast: Okay. Mr. Learmonth: Of that amount. And if I'm wrong, and I don't think that I'm wrong, well, then the question has no value. Mr. Kast: Okay, Sir, but they did make reference to an amount. It's just the specific amount that you're talking about I can't find. They do have an amount, 368 in here, they do mention.

So, Mr. Kast, were you – which report were you thinking that Mr. Learmonth was referring to when he was asking questions about the Westney report?

**MR. KAST:** Well, I'm not sure, but I know I was thinking about tactical risk, and that's the 368, if we're talking about the 497, I think it is, that was the strategic risk amount and that is not included in the CPW. So I can't – I don't know yet. I have to go looking.

**MS. VAN IDERSTINE:** And did you – were you aware of the 497 million before Mr. Learmonth brought it to your attention during that (inaudible)?

**MR. KAST:** No. No, we were – it's been brought up in discussions here and it's hard for me to know exactly when it came to the forefront.

**MS. VAN IDERSTINE:** So, I could go through the transcript and I don't propose to do it, I think anybody – the rest of the people here can do it, but it's quite clear that that came up several times during your interviews. Do you recall that?

**MR. KAST:** I do.

**UNIDENTIFIED MALE SPEAKER:** Yeah.

**MS. VAN IDERSTINE:** And was there any point that anybody – any one of you, up 'til now, had any idea that there was another – that there were two similar reports out there?

**MR. WILSON:** I did not.

**MR. KAST:** No.

**MR. SNYDER:** No.

**MS. VAN IDERSTINE:** There have been – could we have Exhibit 00452, please, brought up? You don't have it in front of you.

**MR. WILSON:** Okay.

**MS. VAN IDERSTINE:** And if we could go to page 5.

Now, we understand the Commission has heard already from Mr. Brockway, retained by Grant Thornton, and if we go down, Grant Thornton being another expert. Go down to page 5 of this report and just scroll down a little further, just before that says: Our Team. Do you see where it says: "We further understand that an interim draft of the paper will be circulated to various parties for" the "purposes of obtaining input with respect to the accuracy of the facts presented." You see that?

**MR. WILSON:** I see it, yeah.

**MS. VAN IDERSTINE:** Now, when you were circulating the reports to Nalcor, is that consistent with the sort of thing that you were doing with Nalcor?

**MR. WILSON:** That's correct.

**MS. VAN IDERSTINE:** And when Nalcor came back to you with suggestions or edits that they thought would be appropriate, did you just accept those edits because they told you to?

**MR. WILSON:** We would review those edits. You know, if it's warranted or it has no impact on the outcomes of our analysis then, yes, we would accept them or offer alternate wording.

**MS. VAN IDERSTINE:** And if they had suggested things that would alter your outcome or your opinions, how would you have responded?

**MR. WILSON:** No.

**MS. VAN IDERSTINE:** No, being ...?

**MR. WILSON:** No, we won't accept those changes.

**MS. VAN IDERSTINE:** Did you ever feel pressure from Nalcor to change the outcome of your report?

**MR. WILSON:** No.

**MS. VAN IDERSTINE:** Did you ever feel pressure from government to change the outcomes of your report?

**MR. WILSON:** I did not, no.

**MS. VAN IDERSTINE:** Mr. Kast?

**MR. KAST:** No, I did not.

**MS. VAN IDERSTINE:** Mr. Snyder?

**MR. SNYDER:** No, I did not.

**MS. VAN IDERSTINE:** Mr. Snyder, I just want to clarify a question about load forecast that came up earlier. If we can stay on – go back to Exhibit 00058 which, again, is – I don't think you'll need it sort of – and at page 16 of that report.

You were asked about where load forecast would be – fit within the analysis. And I think you said that it would be – I'm not (inaudible) try to recall where you said it would fit. Does it go in before or after the CPW is done or some combination of it?

**MR. SNYDER:** It's an input to the CPW.

**MS. VAN IDERSTINE:** Okay.

And then how does it get utilized again? Because I think the concern was with respect to – I think it might be just after that – about the load forecasting being – changing depending on whether it was the Isolated Option or the integrated option being chosen.

**MR. SNYDER:** I think it was really the rates that were, you know, questioned as to what they would be. The – because the rates would be higher with the Isolated Island Option, initially the rates would be higher, so the load forecast would be reduced.

**MS. VAN IDERSTINE:** So I'm just trying to clean up a few little things here. I'm almost

completed. Can I – one of the issues that came up was the question of the reliability of the transmission lines being one in 50 or one in 150. Do you want to comment any further on that or about that discussion with Nalcor?

**MR. SNYDER:** Nalcor did a review of our recommendations and their conclusion was that the distribution lines, the 130 kV lines – well, that's still transmission but 130 kV down within the province are one in 50 years. So their interpretation was if they went to a one and 150 or one and 500 year, then they'd have this nice lit line going from Labrador to Soldiers Pond, but no way to tap off it. So it was deemed to be – they would consider upgrading their one in 50 year in those areas which were subject to icing and wind conditions, which is what I believe they've done.

**MS. VAN IDERSTINE:** And is that – that's what you were commenting on in your report.

**MR. SNYDER:** Yes.

**MS. VAN IDERSTINE:** Does that change the cost then of the transmission?

**MR. SNYDER:** The transmission costs did go up between DG3 and – or DG2 and DG3.

**MS. VAN IDERSTINE:** And was that in part to reflect that additional reliability that was built in?

**MR. SNYDER:** Yes.

**MS. VAN IDERSTINE:** You were questioned about the role of an independent expert and at one point I think the question asked of you was whether you and Nalcor were working together to provide the report. Was that a fair characterization of the way that you produced the report?

**MR. WILSON:** Yeah it's an oversimplification perhaps. That's – you know, we're still required to be objective and prepare our report in our best professional standards.

**MS. VAN IDERSTINE:** Did you have – did any of you have any bias or vested interest in one or the other outcomes on the CPW or the – which option was chosen by this province?

**MR. WILSON:** I did not.

**MR. SNYDER:** No.

**MS. VAN IDERSTINE:** Mr. Snyder?

**MR. WILSON:** Mack?

**MR. KAST:** She was asking Al.

**MS. VAN IDERSTINE:** He's provided –

**MR. SNYDER:** Oh, I gave an answer.

**MR. KAST:** Oh, I didn't hear you.

I can say that I have much love for the Island of Newfoundland and I have no bias to either option.

**MS. VAN IDERSTINE:** And did you ever – I think I may have asked this again, but did you ever feel that your independence as experts were at risk in preparing the report at the time you were preparing it?

**MR. WILSON:** No, not at all.

**MS. VAN IDERSTINE:** By anyone pressuring you or asking you to make changes?

**MR. WILSON:** Not at all.

**MS. VAN IDERSTINE:** Did you ever have any direct communications, other than that one meeting, with Premier Dunderdale?

**MR. WILSON:** Never. No.

**MS. VAN IDERSTINE:** Mr. Kennedy?

**MR. WILSON:** Never. No.

**MS. VAN IDERSTINE:** Mr. Thompson?

**MR. WILSON:** Who is Mr. Thompson? No, I don't know.

**MS. VAN IDERSTINE:** So the only government person you spoke – really had direct communications with was Mr. Bown?

**MR. WILSON:** Mr. Bown, yeah.

**MS. VAN IDERSTINE:** Thank you. Those are my questions.

**THE COMMISSIONER:** Redirect?

**MR. SNYDER:** (Inaudible.)

**MR. WILSON:** You could ask the Commissioner if you want.

**MR. SNYDER:** Can I be excused?

**THE COMMISSIONER:** What, do you need to go to the washroom?

**MR. SNYDER:** Yes, please.

**THE COMMISSIONER:** Oh okay.

So let's take a couple of minutes. I'd rather finish these gentlemen this afternoon, we're at redirect. So we'll take five minutes just to – for a little bit of a break.

**CLERK:** All rise.

**MR. KAST:** Just a second, I can't get out here.

### Recess

**CLERK:** All rise.

Please be seated.

**THE COMMISSIONER:** All right, Mr. Learmonth.

**MR. LEARMONTH:** Thank you.

Very briefly, Mr. Wilson, I just want to come back to this point about the strategic risk. I know it's been covered probably 16 times or – if not more, but there's one point that I want to question you on and we've – you've been referred by me earlier and then again by your own counsel to this question of the answer which you gave to my question on page 12: Did you personally view the DG project costs and schedule risk analysis in the possession of Nalcor?

Mr. Wilson: Project cost and risk analysis? Or any – never mind the one – any project cost and schedule risk analysis provided by Nalcor in

relation to your preparation of the report? And you say: Not on the individual pieces, no. The one that comes to mind would be Westney's report for strategic and management risk. And the question: Did you personally view the Westney report? And you said: I read it.

And then later on, on page 14, the question is – well, I say at top of page 14: Okay, well, if I didn't put that properly I'll ask it again. Why didn't you disclose the existence of this 497-million strategic risk in the report? Then your counsel says: And to be clear Mr. Wilson he's talking about the final report. And you say: Hmm, I don't know. I don't have an answer for that.

So not only did you come close to identifying this strategic risk report on your question – answer on page 12 when you're talking about the strategic and management risk – that's not exactly the way it was classified, but you've got management risk in there – but you also were asked about the 497 million.

I would suggest that one would expect that if there was any confusion about what you're talking about – in other words, if you were thinking about the 368 tactical risk – then when I specifically mentioned the 497-million strategic risk, that you would immediately jump on that and say: Hold on, we got the wrong report. Do you have any explanation for the fact that you didn't do that?

**MR. WILSON:** I think we did eventually get there.

**MR. LEARMONTH:** No, no, but, you know, as soon as the 497 million was mentioned.

**MR. WILSON:** And what did I say right after that?

**MR. LEARMONTH:** Well, I said –

**MR. WILSON:** I'm thinking I made an error or it's an omission or something.

**MR. LEARMONTH:** No. I said: Okay, well if I didn't put that properly I'll ask again. Why didn't you disclose the existence of this 497-million strategic risk in the report? Your – and then Ms. Van Iderstine: And to be clear, Mr.

Wilson, he's talking about the final report. Your answer: Hmm, I don't know. I don't have an answer for that.

So my question to you is when – okay, so you referred to the wrong report. That's what you're saying on page 12.

**MR. WILSON:** Essentially I am.

**MR. LEARMONTH:** But when the 497 million was put to you, and knowing that the report you thought was in existence was 368 million, why didn't that jump out and you say: Hold on now, we got a problem here, we're talking about different reports.

**MR. WILSON:** And –

**MR. LEARMONTH:** What's this \$497 million you're talking about?

**MR. WILSON:** I don't know why it didn't jump out at me but –

**MR. LEARMONTH:** Do you see my point?

**MR. WILSON:** I can see where you're trying to get to, yeah, but I don't have an answer for you and I think I was in error.

**MR. LEARMONTH:** Whereas – oh, so your answer is it was an error?

**MR. WILSON:** I think the 497 million I wasn't aware of. So I think I focused on the – why wasn't the strategic disclosed in my report.

**MR. LEARMONTH:** But the 497 was –

**MR. WILSON:** It didn't jump out at me at the time.

**MR. LEARMONTH:** – put to you squarely.

**MR. WILSON:** But it didn't jump out at me.

**MR. LEARMONTH:** Yeah.

Now, what's this – is there any significance to this business about you being on a phone line in Vancouver as opposed to being in Winnipeg, how that could have any bearing on this?

**MR. WILSON:** Well, it was more or less the time change. We started fairly early in Vancouver.

**MR. LEARMONTH:** Well, what's the time difference?

**MR. WILSON:** It's two hours.

**MR. LEARMONTH:** Two hours, so we started at 9:30 or 10, so it wasn't –

**MR. WILSON:** Yeah.

**MR. LEARMONTH:** – like you were –

**MR. WILSON:** Yeah –

**MR. LEARMONTH:** – up in the middle of the night.

**MR. WILSON:** – it was earlier than I'm used to so, yes.

**MR. LEARMONTH:** Yeah. But are you saying that was a factor in your – the fact that you gave a wrong answer? Is that –?

**MR. WILSON:** I don't know. No, I don't know.

**MR. LEARMONTH:** You don't know. Okay.

And just – on this P50, I want to make sure I understand this. I know you don't know much about who took what out and whose direction things were taken out. But the P50 that was in your earlier draft, that was taken out. Do you – are you able to shed any light as to who – on whose direction the P50 reference was taken out?

**MR. WILSON:** No, I cannot.

**MR. LEARMONTH:** Okay.

Now, on your exhibit at tab 50, exhibit – at tab 50, that's 00773, page 102. And I'm going – this was a question that was asked by Mr. Dan Simmons this morning.

Can you turn that up, please, 00773, 102. Do you have it?

**MR. WILSON:** It's on the screen here now.

**MR. LEARMONTH:** Yeah.

So you're saying here – or this was in your draft. Second sentence: "Nalcor has current contingency levels in their estimate for the Labrador Island HVdc converter stations that are below industry" standards, et cetera, right?

**MR. WILSON:** Mm-hmm.

**MR. LEARMONTH:** And then in your answer to Mr. Simmons you said that that was put in the final report at – that would be Exhibit 00058, page 40. Is that what you said?

**MR. WILSON:** That has been pointed out here –

**MR. LEARMONTH:** Yeah.

**MR. WILSON:** – that there is a similarity between these two clauses.

**MR. LEARMONTH:** But they're not – but I'm suggesting to you that with – to suggest that it's the same reference is incorrect.

**MR. WILSON:** The language is different there.

**MR. LEARMONTH:** No, it's not the language, it's the substance. On the earlier – in the part that you've deleted from page 102 of Exhibit 00773, you're talking about contingency levels in the estimate for the Labrador-Island HVDC converter stations, but in your reference on Exhibit 00058, page 40 –

**MR. WILSON:** You're right.

**MR. LEARMONTH:** – you're talking about synchronous condensers. They're different – one is a component of – the synchronous condensers are just a part of the HVDC converter stations. Isn't that correct?

**MR. WILSON:** You're correct, actually, yes.

**MR. LEARMONTH:** So what – okay, so that was an error that you made, is it?

**MR. WILSON:** I guess so, yes.

**MR. LEARMONTH:** So why would you take out – why would you – you know, synchronous condensers are just a component –

**MR. WILSON:** Mm-hmm.

**MR. LEARMONTH:** – of this, so why would you make that error? I mean, you're not – can I infer from that that the contingency level – there still was some – that contingency level for the HVDC converter stations in addition to the synchronous converters – condensers, sorry.

**MR. WILSON:** I – what's your question again?

**MR. LEARMONTH:** Okay.

**MR. WILSON:** Yeah.

**MR. LEARMONTH:** You're saying that you – this was taken out but that it was put in the final report in a different form. That's what you said this morning as I understand it.

**MR. WILSON:** Well, I guess I'm focusing on the – you know, the cost estimates are low, you know, compared to other projects in Canada and there's similar language on both sides. But I think you're right, the essence of that paragraph is not contingency, it's just directly synchronous condensers.

**MR. LEARMONTH:** Yeah and not the HVDC converter. Was that intentional or was it just an error?

**MR. WILSON:** What's an error?

**MR. LEARMONTH:** Was it an error? Did you mean to say at page 40 that the cost estimates for the HVDC converter stations appears low?

**MR. WILSON:** No, here we were, I think, we are specifically talking about synchronous condensers –

**MR. LEARMONTH:** Okay. So that was –

**MR. WILSON:** – and they were low.

**MR. LEARMONTH:** So that was a mistake was it?

**MR. WILSON:** I think the mistake was referring that the redacted piece was actually this.

**MR. LEARMONTH:** Right.

**MR. WILSON:** Yeah.

**MR. LEARMONTH:** Okay.

I'll ask Mr. Snyder a question about his evidence this morning.

Mr. Snyder, did I correctly recall that you said that in a – when you're comparing a P70 estimate and a P50, there'd be less contingency in a P70 than there would be in the P50, is that right?

**MR. SNYDER:** I'm saying you should be careful.

**MR. LEARMONTH:** No, you – did you say it would – that it was less?

**MR. SNYDER:** I'm saying you should be careful with how the P70 is built, or P75.

**MR. LEARMONTH:** But you said it was less. It would be lower this morning.

**MR. SNYDER:** It could be lower.

**MR. LEARMONTH:** I think you said it would be lower. Do you agree that's what you said?

**MR. SNYDER:** I may have said would. I – you know.

**MR. LEARMONTH:** Was that a mistake if you said would?

**MR. SNYDER:** A misunderstanding because it should be would.

**MR. LEARMONTH:** Well, it's not a misunderstanding, if you said one – if you said would, they're your words.

**MR. SNYDER:** Oh, I understand that but I – you know, the contingency could be less in a P75.

**MR. LEARMONTH:** Well, I suggest to you that that's likely incorrect. That it's usually higher. And I want you to look at Exhibit P-00817, page 13.

**THE COMMISSIONER:** Tab number –?

**MR. LEARMONTH:** It's just one page of 00817. Do you see that?

**MR. SNYDER:** Yeah.

**MS. O'BRIEN:** I think it's tab 80.

**MR. LEARMONTH:** Eighty.

**THE COMMISSIONER:** Yeah.

**MR. LEARMONTH:** Do you see that, Mr. Snyder?

**MR. SNYDER:** I see that.

**MR. LEARMONTH:** Yeah. Well, you know, this is something prepared by Westney, and as you can see what P75, the contingency, is substantially higher than it is at P50.

**MR. SNYDER:** Isn't that what I said this morning?

**MR. LEARMONTH:** No, you said it would be lower at P75, or P70.

**MR. SNYDER:** I said was the P50 going to P75, you would want to be careful that the P75 was not plugged with higher contingency.

**MR. LEARMONTH:** Well, okay, I'm not – it's late in the day, I'm not going to get a transcript prepared but I suggest that that's not what you said. We'll leave it at that. The transcript will indicate who's right on that.

Now, Mr. Kast, you confirmed that the fuel factor was 67 per cent for the Isolated Island in the CPW analysis, is that correct? Or 66 per cent or 67 per cent.

**THE COMMISSIONER:** Sixty-two per cent.

**MR. LEARMONTH:** Sixty-two, okay, but anyways over 60 per cent?



**MR. KAST:** Yes. I see on – let's see – this is DG3 report, it's 62 per cent. It was perhaps different than in the DG2 report.

**MR. LEARMONTH:** So, it's obviously the largest component in this.

**MR. KAST:** By all means.

**MR. LEARMONTH:** Yeah. So it's a critical component, do you agree?

**MR. KAST:** It – I do agree.

**MR. LEARMONTH:** And do you agree that there's a huge risk in attempting to project fuel prices over 50 years out? It's a huge risk.

**MR. KAST:** There is – well, characterize it as you like, there is a large risk, yes.

**MR. LEARMONTH:** Would you agree that it's a huge risk?

**MR. KAST:** Sure.

**MR. LEARMONTH:** Yeah.

**MR. KAST:** Well, it's – because at 2 per cent we can't know. I think I cited yesterday that in 2015 the price of oil dropped from \$112 a barrel to 65, sort of thing, overnight. So, you know, there is a volatility in the pricing of oil now may have – you know, I don't know what the future holds, but if we look at the past, if it's any indication that there is a risk factor there, yes.

**MR. LEARMONTH:** And you'd agree that it's a huge risk?

**MR. KAST:** Well, it – how you define the word huge but it's a significant risk, yes.

**MR. LEARMONTH:** So you seem to shy away from agreeing with me that it's a huge –

**MR. KAST:** Well, would you like – but okay, either way, did I not say significant. What's the difference between significant and huge?

**MR. LEARMONTH:** Okay, well if you're saying that they're both the same thing, then we don't have a disagreement.

**MR. KAST:** Well, essentially, I'm just – and we both know, it's a significant risk. It's a – huge implies – to me huge implies the sky is falling. I'm not saying that the sky is falling. I'm saying that there's a significant risk. It has a connotation that it's more than just a nominal risk.

**MR. LEARMONTH:** Well, when we – when I interviewed you in Winnipeg, you must have thought the sky was falling because the exact word you used was a huge risk.

**MR. KAST:** Fair – fine. I'll – I can accept that if –

**MR. LEARMONTH:** That's on page 94 of the transcript. Your answer – well we're talking about – we did the stress tests on the results here of the oil prices but we can't – I know, how can you make a projection but it's – that's all it's going to be. It's just a numeric exercise, it has to be grounded to something, and then they say and that's a huge risk on that side of the ledger.

**MR. KAST:** I mean, call it what you like. If you want to call it a huge risk. If I said that I still accept that it's a huge risk. I prefer to characterize it as something that's similar to huge but if you want to call it huge. If it has any –

**MR. LEARMONTH:** Well, I don't want to call it – I'm asking you. You used the word, I didn't –

**MR. KAST:** Well, yesterday, I could have said huge but let's – I'm trying to refine it a bit more today, I guess, is what I'm saying.

**MR. LEARMONTH:** Okay. So you're backing off the use of the word –

**MR. KAST:** No, I'm not backing off.

**MR. LEARMONTH:** Okay.

**MR. KAST:** I'm trying to be more professional about what I'm doing.

**MR. LEARMONTH:** Well, you weren't being professional when you were –

**MR. KAST:** No, don't suggest that –

**MR. LEARMONTH:** – interviewed in Winnipeg?

**MR. KAST:** – of course I was.

**MR. LEARMONTH:** No, but you said you're trying to be more professional.

**MR. KAST:** I accept whatever you're saying, Sir. I – let's move – I don't have any further comment.

**MR. LEARMONTH:** All right.

Now, you said you did a number of sensitivities, is that correct –

**MR. KAST:** That is correct.

**MR. LEARMONTH:** – in the DG3 –

**MR. KAST:** Yes.

**MR. LEARMONTH:** – analysis?

**MR. KAST:** Yeah.

**MR. LEARMONTH:** But you didn't do one on the load forecast, and I want to know why.

**MR. KAST:** What did we do to DG2?

**MR. LEARMONTH:** No, no I want you to answer that, Mr. Kast.

**MR. KAST:** Well, I will, I need to get the data.

Okay. I believe what I have in my – in front of me at the table here is DG2 and DG3. In DG2, we did do a load differential; a scenario and in DG3 it appears that we did not – we talked about fuel, capex, interest rates and carbon pricing.

**MR. LEARMONTH:** Well, I know that and that's why I wanted to ask you why you didn't do –

**MR. KAST:** Okay –

**MR. LEARMONTH:** – a sensitivity for the load –

**MR. KAST:** Okay. When I – I don't – I can't say definitively but if it's of some assistance,

when I look at DG2 I see the differential between the two is minimal. So what we're saying is the load itself does not have a large bearing in DG2, the inference is it wouldn't likely have a large bearing in DG3. What does have a significant bearing, as I've indicated, is capex and fuel cost.

**MR. LEARMONTH:** Okay. So why didn't you do it? Why didn't you – can you (inaudible).

**MR. KAST:** I think I just explained because it doesn't have – because in DG2 the differential is only 27 million.

**MR. LEARMONTH:** So you didn't think it was necessary to redo it?

**MR. KAST:** Yes, Sir.

**MR. LEARMONTH:** Is that what you're saying?

**MR. KAST:** Well, yes.

**MR. LEARMONTH:** Okay.

Now, Mr. Snyder, you've spoken about strategic risk. Can you give me examples of what you consider to be strategic risks?

**MR. SNYDER:** The – you know, there are – there is a definition of them.

**MR. LEARMONTH:** Okay.

Well, what – no, but just answer the question if you can. Okay, or (inaudible) –

**MR. SNYDER:** It's management risks. The things that are not generally associated with the direct project itself.

**MR. LEARMONTH:** Okay.

Would that – would availability of labour be a strategic risk?

**MR. SNYDER:** Yes.

**MR. LEARMONTH:** Yeah.

Is possibility of contractor non-performance a strategic risk?

**MR. SNYDER:** Yes.

**MR. LEARMONTH:** Is scope change a strategic risk?

**MR. SNYDER:** Could be.

**MR. LEARMONTH:** Is schedule risk a strategic risk?

**MR. SNYDER:** Schedule risk, you know, should be associated with the capital cost or the capex itself.

**MR. LEARMONTH:** It should be?

**MR. SNYDER:** Yeah.

**MR. LEARMONTH:** Yeah.

And that's why you agreed that that P1 business about the scheduling was something that you should have known about?

**MR. SNYDER:** That's correct.

**MR. LEARMONTH:** Yeah.

And in – I want to get back to this 00873 – Exhibit 00873, page 61. That's the final report.

Mr. Snyder, I believe you said that – you gave some explanation of what's meant by a business case.

**MR. SNYDER:** Yes.

**MR. LEARMONTH:** And do you agree that before a project is sanctioned that a business case must be considered?

**MR. SNYDER:** I would have assumed that the people that are making the decision on the – on a major project would have a business case.

**MR. LEARMONTH:** Okay.

That's not what I asked you. I asked you do you agree that the business case must be assessed before a project like this is sanctioned?

**MR. SNYDER:** But it's not my job to do that.

**MR. LEARMONTH:** I'm asking you whether it must be assessed.

**MR. SNYDER:** I'm saying that would make sense.

**MR. LEARMONTH:** Yes. It would make sense.

Well then, in the final report – and Mr. Wilson may want to answer this. The last sentence on page 61, if you look at that. You say: "*The design, construction planning, cost estimate and schedule are comprehensive and sufficiently detailed to support a Decision Gate 3 project sanction and appropriate for input into a cumulative present worth analysis.*"

Well, if a business case examination has to be done, how can you make a statement like that without qualifying it by saying that provided a proper business case has been done? How can you make that statement, Mr. Wilson?

**MR. RALPH:** Commissioner?

**THE COMMISSIONER:** Yes.

**MR. RALPH:** I think we've been through this many times.

**MR. LEARMONTH:** No, but –

**THE COMMISSIONER:** Okay. Just –

**MR. LEARMONTH:** – Ms. Best –

**MR. RALPH:** (Inaudible.)

**THE COMMISSIONER:** – just one second. If you can turn off your mic there for a minute, Mr. – go ahead.

**MR. RALPH:** And we've been through this before, and I'd suggest, as well, it's not appropriate. I mean, if Cabinet or Nalcor is considering this project, CPW is one of the things they're considering; they also have the business case. And I suggest we'll hear that from others. So the idea that this is the only thing that Cabinet or Nalcor are going to consider to make that decision seems to be a bit naive.

**THE COMMISSIONER:** Mr. Learmonth?

**MR. LEARMONTH:** Well, naive – you can call it whatever you want.

The reason I'm asking this is that Ms. Erin Best asked questions of Mr. Wilson today, and his answers were quite different from what he said yesterday on this point. He seemed to accept this final statement as being, you know, correct in all respects. Using his own words. I want to ask him a couple questions about that and also the schedule.

**THE COMMISSIONER:** Go ahead.

**MR. LEARMONTH:** Okay.

So do you remember the question?

**MR. WILSON:** You're asking me in context of a business case, are these statements appropriate?

**MR. LEARMONTH:** I'm asking you how you can make a statement like that – the last sentence on page 61 – when, number one, you're saying you didn't assess the business case, and if you're – and acknowledging that a business case is essential before a project can get to sanction.

**MR. WILSON:** Well okay, business case aside, right? Business case involves many other things. Here we have the design, construction planning, cost estimates and schedule are comprehensive –

**MR. LEARMONTH:** Yeah.

**MR. WILSON:** – and sufficiently detailed to support, right, a Decision Gate 3 project sanction and appropriate as input into – this is supporting the Decision Gate 3. It's not making the final –

**MR. LEARMONTH:** Yeah.

**MR. WILSON:** – decision.

**MR. LEARMONTH:** Yeah.

But there's no qualifying words there?

**MR. WILSON:** I – no, there's no qualifications in here, other than what is in our report as it is.

**MR. LEARMONTH:** Okay.

And just – my last question on this is the – I just wanted to make sure, because I'm a little bit – I was little bit surprised at your answer to Ms. Best's question. You realize that – now – that you wouldn't be able to make this statement because you know that there was an issue with the scheduling, isn't that correct?

**MR. WILSON:** If we had been aware of the schedule issues, as Mr. Snyder –

**MR. LEARMONTH:** Yeah.

**MR. WILSON:** – has indicated, we would have included this in our report.

**MR. LEARMONTH:** So this sentence would have had to be changed – this last sentence?

**MR. WILSON:** Quite likely, yes.

**MR. LEARMONTH:** Yeah. Okay.

Okay, those are all my questions. Thank you very much.

**THE COMMISSIONER:** All right.

Thank you, Gentlemen.

And we'll adjourn now until tomorrow morning at 9:30, and I guess our next witness is ...?

**MS. O'BRIEN:** Derrick Sturge.

**THE COMMISSIONER:** Derrick Sturge.

All right. We're adjourned 'til tomorrow morning, 9:30.

**CLERK:** All rise.

This Commission of Inquiry is concluded for the day.