

**From:** jmallam@nalcenergy.com  
**To:** [Bernie Osjowy](#); [Derek Owen](#); [Richard Westney](#)  
**Subject:** IPR Report  
**Date:** Tuesday, June 14, 2011 8:59:50 AM  
**Attachments:** [Untitled attachment 00053.iff](#)

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Good morning gentlemen. Below is the text of the Canadian Press article about the IPR review last fall. It remains to be seen what news services pick this up and what follow up results, if any. If contacted by any media please refer them to Dawn Dalley.

'East Coast safety culture,' transient workers could risk Muskrat Falls: review (Muskrat-Falls-Review)

By Sue Bailey

THE CANADIAN PRESS

ST. JOHN'S, N.L. \_ A review of the Muskrat Falls hydroelectric project in Labrador raises concerns about timelines and safety issues, says a report released to The Canadian Press.

The assessment by an international team of experts suggests the schedule for the \$6.2-billion development is overly ambitious.

"We are concerned about the reality of the schedule," says the review by a four-member team whose expertise includes megaproject planning, design and risk management.

Provincial Crown corporation Nalcor Energy has set next October as the timeline to complete 60 to 70 per cent of required engineering and have local staff in place ahead of ground-breaking next spring in Labrador.

"Experience suggests it is unlikely this can be achieved," says the review, released by Nalcor Energy.

"If it is not, the implementation of the contract strategy gets off to a bad start based on a pattern of unrealistic objectives."

The document also warns of risks posed by transient, semi-skilled workers and what it calls an "East Coast safety culture."

Ed Martin, president and CEO of Nalcor, says the company plans to improve on the province's industrial-site safety record.

"Compared to some other parts of the world, we don't compare that well," he said in an interview at his office in St. John's.

"That's a fact, so we have to improve on that."

Nalcor has made safety a top priority, lowering its own statistics for medical treatment and lost-time incidents over the last five years, Martin said. The company has hired a health and safety manager and adviser for Muskrat Falls, he added. SNC-Lavalin (TSX:SNC), the engineering and construction giant hired to manage project construction, is on the same page, Martin said.

As for scheduling, he concedes that the project is behind schedule. "But not months," he said. "We're talking weeks. "Right now, I think it's tight," he said of making the October timeline for engineering progress. "Once again, it's weeks. But I will make the broader statement: we're not moving ahead unless we get there (the engineering milestone).

"If it does mean somewhat of a delay to get where we want to get to, we'll take it."

It's more important that the work be done properly in advance than rushed to meet a deadline, Martin said.

Any change or delay could raise costs of \$6.2 billion plus hundreds of millions of dollars in interest accrued during construction.

The province is still waiting to receive a promised federal loan guarantee, or financial equivalent, that could shave about 15 per cent off interest costs. Nalcor won't discuss what total interest costs could reach before it negotiates those rates on the open market.

Martin stressed that the project is progressing through a five-step, internationally sanctioned process to ensure best practices.

He says the review, and another assessment which was not fully released for proprietary reasons, are positive overall. Nalcor is praised for being better prepared than a typical megaproject at the

same stage.

The Progressive Conservative government says the joint venture between Nalcor and Nova Scotia's private utility Emera (TSX:EMA) is the most cost-effective way to help meet energy needs in both provinces, while providing a clean source of power to sell for profit.

Proponents say Muskrat Falls will shield consumers from rising oil costs. They say electricity bills will be higher when the power comes online in 2017, but will level off as oil prices continue to rise.

Critics say the debt-laden project presumes higher oil prices and was rushed through as a legacy trophy by former premier Danny Williams just before he retired last December. They say smaller-scale options such as wind power could provide energy as the province needs it, avoiding Muskrat Falls debt that will top \$4 billion by some estimates.

Liberal Opposition Leader Yvonne Jones says the review is not an independent endorsement \_ as suggested by Premier Kathy Dunderdale \_ because a senior Nalcor official was on the review team.

John Mallam was vice-president of engineering for Nalcor's hydro wing when he helped with the review dated last Sept. 17. A Nalcor official said on background that it's standard industry practice to consult internal company experts from departments not directly involved in a project to offer "independent" evaluations.

Mallam became directly involved with Muskrat Falls soon after the assessment, Nalcor said.

Jones cited repeated references by Dunderdale to "external audits" as the opposition peppered her with Muskrat Falls queries through much of the spring legislative sitting.

Dunderdale called it a good, solid project.

On May 30, she told the house of assembly: "Mr. Speaker, Nalcor

has had two external audits done on the methodology."

She referred later that day to a third evaluation by "external consultants" to assess "whether or not Muskrat Falls is the least-cost option for electricity generation here in the province."

Dunderdale said she hoped to release that report by August. A spokeswoman for the premier said she was not available to comment.

Jones said in an email that "rushing a multibillion-dollar megaproject is bound to lead to mistakes and cost overruns.

"It's unbelievable that Premier Dunderdale would repeatedly claim that they had full independent audits completed, when they clearly have not."

NDP Leader Lorraine Michael said it's troubling that the Muskrat Falls timeline doesn't offer much wiggle room for any recommendations from a joint federal-provincial environmental assessment due in July. Nor does it allow for any snags in the ratification of a multimillion-dollar benefits agreement to be voted on by the Innu Nation in Labrador this summer.

Several opponents, including Elizabeth Penashue, mother of Labrador MP Peter Penashue, have passionately argued against flooding of lands along the lower Churchill River.

For Nalcor, it's full steam ahead as SNC-Lavalin hires staff who are "pouring in up at our new offices" in St. John's, Martin said. That's an approach that puts the cart before the horse, Michael said.

"I find it disturbing that there is an arrogance in which this project is going forward," she said in an interview. "The whole thing, to me, does not seem even competent."

Under the conditions of a term sheet announced last year to develop the project, Nalcor Energy would spend \$2.9 billion to build a power generating facility at Muskrat Falls capable of producing 824 megawatts of electricity.

A transmission link from Labrador to Newfoundland would cost \$2.1 billion, \$600 million of which would be provided by Emera. That link would span 1,100 kilometres, including a 30-km subsea connection across the Strait of Bell Isle.

A 180-km subsea link between Cape Ray, N.L., to Lingan, N.S., would cost \$1.2 billion, all funded by Emera.

Under the agreement, Nova Scotia would receive 170 megawatts of energy annually \_ about eight to 10 per cent of the province's total power needs \_ for 35 years.

INDEX: UTILITIES NATIONAL BUSINESS POLITICS

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Best regards,



**John Mallam**  
**Operations Lead**  
**Nalcor Energy - Lower**  
**Churchill Project**  
t. 709 737-1712 c. 709 691-  
7666 f. 709 754-0787  
e.  
[JMallam@nalcorenergy.com](mailto:JMallam@nalcorenergy.com)  
w. [nalcorenergy.com](http://nalcorenergy.com)  
**1.888.576.5454**

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