

Chris Huskilson response to Question From Legal Counsel to the Commission of Inquiry with respect to Muskrat Falls

November 25, 2018

1. My name is Chris Huskilson B.Sc. Eng., M.Sc. Eng., P.Eng., FCAE. I was President and Chief Executive Officer of Emera Inc. during the negotiation of the term sheet and the formal agreements entered into between Emera and Nalcor. I subsequently retired from Emera on March 29, 2018 after a more than 38 year career with Emera and its predecessors.
2. Emera was involved in the Maritime Link project to secure a sufficient supply of clean energy and capacity from Muskrat Falls in order for Nova Scotia Power to meet Nova Scotia's *Renewable Electricity Standards* target of 40% for renewable energy generation by 2020 and its federal emissions reduction requirements. To obtain approval of the Maritime Link project, Emera was required to satisfy its regulator (the Nova Scotia Utility and Review Board ("UaRB")) that the energy to be sourced from the Muskrat Falls project was the least cost of all alternatives available to Nova Scotia Power customers.
3. You have requested my comment on a statement made in the second-to-last paragraph of the Pre-Sanction Briefing note prepared by the Nalcor project team in 2018 for the use of the Commission/Grant Thornton (CIMFP Exhibit P-00264, p. 19), which indicates that Nalcor's Executive decided to "drop the provisional strategic risk allowance... to respond to Emera's concern regarding its ability to sell the strategic risk concept to the Nova Scotia regulator...".
4. In order to understand that reference it is important to understand:
 - A. Emera and the UaRB do not use the term or terminology "Strategic Risk" in presenting risk associated with project cost estimates for the purposes of project assessment and approval; and
 - B. the costs and risks assessed and included in a project cost estimate are a separate matter from the choice of terminology or language used to describe allowances for risks included in project budgets or estimates.

While some project advisors may choose to analyze and reflect project cost risks using "strategic risk" terminology, in Emera's case, its approach to all projects including the Maritime Link project was, and is, to present a project cost estimate developed on a line by line basis to determine a project budget; including a determination of all risks represented in the base project estimate and the project contingency within the overall project budget. This is how Emera presents project cost estimates to the UaRB for approval, including for the Maritime Link project. Given the commercial arrangements and the 80/20 approach, it was, of course, important for both Nalcor and Emera to use the same terminology when presenting costs associated with project risk to allow for an "apples to apples" comparison of the project cost estimates for the Maritime Link and Muskrat Falls projects.

5. I therefore requested that the parties use the same terminology in presenting costs associated with project risk. That is not to say that I expected removal of any costs Nalcor felt were appropriate to include in its overall cost estimate. Specifically, with regard to the Exhibit P-00264 paragraph referenced above, I cannot speak to what the author(s) of that report might have exactly meant by those words, but, I can confirm that Emera did express concern to Nalcor about using the "strategic risk" terminology for costs associated with project risk, as Emera intended to present the project costs for both projects on the same "apples to apples" comparative basis as outlined above, and for the reasons outlined above. Emera was not involved in how Nalcor subsequently chose to deal with costs associated with project risk in its overall project cost estimate, but Emera did subsequently receive cost estimates in a format that was consistent with Emera's standard format; which, in turn, allowed for the desired "apples to apples" comparative analysis and presentation. As the Exhibit P-00264 paragraph states, the concern expressed was about the "strategic risk concept" (emphasis added), which was not a project cost "concept" typically used in similar UaRB regulatory approval processes.