

Statement of Kathy Dunderdale RE: P-Factor, Strategic Risk and Schedule Risk

P-Factor

I remember that a P-50 was used for the CPW because the CPW was a comparison of the two options and a P-50 was the P-factor that could be best applied to both options, so that we were comparing apples to apples. It would not have made sense to apply a p-50 to the Isolated Option and to apply a p-75 to the Interconnected Option. This would not have allowed a proper CPW analysis.

I was briefed on this by Nalcor and I had no reason to doubt their knowledge of the subject.

Further, this issue was reviewed by our independent expert, MHI, at the DG3 stage, and MHI found Nalcor's analysis to be well done and in accordance with industry standard.

Strategic Risk

I was never told that any amount of strategic risk was removed from the capital cost estimates, at the request of Emera or otherwise.

I recall that I was briefed on the project risks and it was a complicated issue. However, I asked questions and got satisfactory answers from Nalcor. I had no reason to doubt what I was being told.

This was years ago, but I remember being briefed on the fact that there were different risks associated with different elements of the project, for example, there was a different risk associated with the powerhouse then there was with the North Spur, and these risk allowances changed between DG2 and DG3 due to steps taken by Nalcor to mitigate the risks. Also, more engineering was completed by the time we reached DG3 and I understood that this added more certainty to the estimates. I understood that the DG3 base estimate was high quality.

I also knew that many of the net benefits to the province such as the ability to sell the extra 40% of the power were not included in the CPW so that gave us a bit of cushion.

At DG2 we did not have the FLG in the CPW. That meant a \$1.5b savings.

Schedule Risk

Until recently I had never heard about a P-1 schedule risk associated with the project. I would be very surprised to learn that at the time of sanction the schedule risk was a P-1. If I knew that was the case I would not have sanctioned the project.

I understood from Nalcor that there were some risks associated with the schedule but I was assured that those risks were being mitigated. I understood that the contractors said they could achieve the schedule.