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September 10, 2018

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Private & Confidential

Via Electronic Mail [DavidHowe@muskratfallsinquiry.ca]

Grant Thornton
 300-15 International Place
 St. John's, NL A1A 0L4

Attention: David Howe

Dear Mr. Howe

Re: Muskrat Falls Inquiry – CV Request and Follow-up Questions for Ed Martin

We are reaching out in response to Grant Thornton's requests for Mr. Martin's CV and other questions that Mr. Martin has agreed to provide since his initial interview with Grant Thornton.

1 - Request for Ed. Martin's CV

Attached is a copy of Mr. Martin's CV, reflecting his extensive experience before working with Nalcor, as well as during his time working with Nalcor, up until 2012. In addition to his CV, Mr. Martin expressed some other concerns about Grant Thornton's request. These are listed below:

1. Mr. Martin was President and CEO of Nalcor, Newfoundland and Labrador Hydro, CF(L)Co, Nalcor Oil and Gas, Bull Arm Corporation and several other companies, and these duties were extensive and comprehensive. It would be inaccurate to characterize him as being merely a project team member for the Lower Churchill Project.
2. Grant Thornton's request to "highlight [Mr. Martin's] experience in utilities, hydro developments and/or mega projects" suggests that Grant Thornton may not be focusing on the appropriate aspects of a CEO's role, or the required attributes of a CEO. The CEO in a utility or other corporation whether pursuing mega projects or not would be expected to ensure that the company and/or project team have the appropriate experience in such areas touched by the work of the Corporation. Illustrative examples of this reality are:
 - (a) The CEO of Emera Inc. has a background in construction and banking;
 - (b) The CEO of Hydro Québec has a background in the aerospace industry; and
 - (c) The CEO of Canadian Tire Corporation came from the Telecommunications Industry.
3. The above in note 2 being stated, Mr. Martin does have experience in the noted areas. However, in Nalcor, he was performing CEO duties, and not the duties of day to day operations of the companies' leads.

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4. At the time of the Sanctioning of the Muskrat Falls Project, Mr. Martin had garnered 7 years of experience in utility and hydroelectric power management in addition to his previous experience. His previous experience, as evidenced by the attached CV, includes involvement in various roles in megaprojects, including leadership and financial management roles within the corporations pursuing such projects.

2 – Follow-Up Questions from Grant Thornton Interview

Regarding the requests for additional information following Mr. Martin's interview with Grant Thornton, the questions asked of Mr. Martin are italicized below, with his responses following:

Question 1 - Provide an explanation of the CPW (Cumulative Present Worth) inducement line in the chart that was presented to Grant Thornton in Mr. Martin's documents.

Answer 1 - Below is Mr. Martin's explanation of both CPW and CPW Induced:

CPW: Generation expansion planning and analysis provides the incremental production costing for all the operational and capital expenses necessary for NL Hydro to reliably supply electricity to meet the forecasted requirements for power and energy over time. For each year of the extended planning period, the Strategist® software calculates NL Hydro's production expenses given the configuration of thermal and renewable alternative resources in economic order at its disposal, power purchases from third parties, annual capital related expenses as new plants come on line, and operation and management costs. Strategist® calculates annual production and capital-related costs estimates in nominal Canadian dollars for each year of the long-term planning period. To convert all future costs to a common present day period, a planning metric called Cumulative Present Worth is calculated. CPW is the present value of all incremental utility capital and operating costs incurred to reliably meet a specified load forecast given a prescribed set of reliability criteria. An alternative long-term supply future that has a lower CPW than another supply alternative will be the preferred investment strategy for the utility where all other constraints, such as access to capital, are satisfied. The selection of an alternative investment path with a lower CPW is consistent with the objective of providing least cost power because an alternative with a lower CPW results in an overall lower regulated revenue requirement from the customers served. Thus, when the lower CPW alternative is selected, the difference in CPW between two alternatives represents the CPW of the cost saving between the two.

CPW Induced: Each alternative option generates a CPW of the respective associated costs/expenditures, as described in (a) above. In this context, when the lower cost alternative is chosen, the ratepayers will pay less for their electricity over time, meaning they will have more disposable income to spend on other things. It is this increased disposable income that creates an induced effect benefiting the economy as more money is available to spend in the economy, creating a multiplier effect which is captured as an induced benefit.

Question 2 - In the timeline of sanction of the Muskrat Falls Project, negotiating the Federal Loan Guarantee (FLG), financial close, and issuance of bonds to finance the project, where was the 'point of no return'? If there was in fact a 'point of no return', would Nalcor's Board of Directors have understood this?

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Answer 2 - 'Point of no return' is not a defined term, and could have different meanings for different people. In any event, answering this question would require the involvement of appropriate financial and legal experts. The Board of Directors was kept fully apprised of timeline of sanction, FLG negotiations, and issuing of bonds. There was a briefing note prepared by Nalcor on March 7, 2016 which outlines some key considerations on this question.

Question 3 - *Please provide any information to support your communication with the Government of Newfoundland and Labrador (GNL), including dates and times of meetings, presentations made or briefing notes for meetings specific to DG2A, DG2 and DG3. Our legal advisors have noted there may be an issue of privilege around cabinet documents, but they will look and see what they can come up with.*

Answer 3 - Mr. Martin notes that he does not have the resources or access to Nalcor files required to find or prepare a comprehensive summary of communications with GNL, or dates and times of any meetings, or presentations or briefings notes from meetings specific to DG2A, DG2 or DG3. Despite his inability to produce such information or a summary, the interactions were frequent and comprehensive at many levels throughout GNL.

Question 4 - *How was the IPA 2010 document used in the DG analysis for benchmarking?*

Answer 4 - The Nalcor Project Team would be the group best equipped to answer this question.

Question 5 - *Why was there delay in the sign off of the DG2 package by Mr. Martin?*

Answer 5 - Mr. Martin cannot recall why his signature was not placed on the DG2 package at the time of approval. However, he approved moving through the DG2 gate, as evidenced by the fact that the project actually continued to proceed to DG3, a step which Mr. Martin's approval was required for. There does not appear to be any reason for the delay in actually signing other than sheer volume of work.

Question 6 - *Are there any documents to support how the p-factor was selected? Or were there discussions*

Answer 6 - Mr. Martin does not have access to Nalcor documents or records supporting the selection of the p-factor. Mr. Martin has provided us with a 2-page summary from Knight Piésold regarding use of the p-50 factor in a project that was subject to review by the Manitoba PUB. However, he notes that:

1. It is important to note that this really about Nalcor's comparative analysis of the Interconnected Island and Isolated Island options. Vital to such a comparative analysis is using the same p-factor for all costs related to both options to ensure a balanced "apples to apples" comparison between the two. In this context, Nalcor determined that using a p-factor of greater than p-50 for all of the cost elements in play would have unfairly favoured the Interconnected Island even more in the comparison between said two options.
2. Other utilities/companies use p-50 as the factor for new construction, including Manitoba Hydro, BC Hydro and Hydro Québec; and
3. Nalcor costing and sanction related processes were reviewed by several entities, including Navigant, MHI, and the independent engineer (MWH Canada Inc).

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We consider this to be a full return on Grant Thornton's requests for follow up responses, and for Mr. Martin's CV reflecting his experience and Nalcor's endeavour into the Muskrat Falls Project.

We trust you will find the above in order.

Yours truly,

Stewart McKelvey

A handwritten signature in blue ink, appearing to read "Harold M. Smith". The signature is fluid and cursive, with a large initial "H" and a long horizontal stroke extending to the left.

Harold M. Smith, Q.C.
Partner

HMS/dmc

Enclosure: CV E. Martin

Edmund J. Martin

Career Summary

Seasoned executive with proven strengths in executive leadership, strategy development and execution, mega-project construction management, oil & natural gas frontier development and operations, utility operations, hydroelectricity operations, new business development, organization design and change, strategic partnerships, acquisitions, financial management and negotiation skills.

Education

Master of Business Administration	University of Calgary	1988
Bachelor of Commerce	Memorial University of Newfoundland	1980
Petro-Canada Q1 Leadership	University of Western Ontario	2002

Career Experience

Nalcor Energy

2005-2012

CEO and President – Nalcor Energy

CEO and President – Newfoundland and Labrador Hydro

CEO and President – Churchill Falls (Labrador) Company Limited

CEO and President – Nalcor Oil and Gas

CEO and President – Bull Arm Fabrication

- Implemented a comprehensive vision, values, goal, objectives and performance management framework to launch and sustain Nalcor Energy.
- Operational performance:
 - Improved Safety Culture: 60% reduction in Lost Time Incident Frequency.
 - Improved Environmental Performance: 30% Increase in target initiatives, reduced emissions from Holyrood Thermal Generating Plant, and sanctioned 2 wind farms.
 - Implemented company-wide long-term Asset Management Program.
 - Initiated rebuild/refurbishment program for significantly aging asset base while maintaining operating performance.
 - Improved employee opinion scores.
- Balance sheet, debt/equity structure improved.
- Progressed toward sanction of Phase 1 of the Lower Churchill Hydroelectric Project, Muskrat Falls, comprised of an 825MW generating plant, a transmission link from Labrador to the Island of Newfoundland, and a transmission link from Island of Newfoundland to Nova Scotia.
- Concluded 3 offshore oil and gas equity acquisitions,
 - Hebron Development (ExxonMobil, Chevron, Suncor, Statoil).
 - White Rose Extension Development (Husky, Suncor).
 - Hibernia South Extension (ExxonMobil, Chevron, Suncor, Statoil, Murphy Oil, Canada Hibernia Holding Corporation).
- Implemented comprehensive, best practice offshore exploration strategy revitalization supported by one of the world's largest seismic programs.

Petro-Canada

1999 to 2005

Co-Ventures and New Developments East Coast Manager

- Responsible for Petro-Canada's interests in;
 - Hibernia (Operations).
 - White Rose (Construction) \$3 Billion capital cost in 2012 dollars (\$2.2 Billion \$2001).
 - Hebron (Project Pre-Sanction). Est. \$14 Billion capital cost incl. drilling in 2012.
 - Tankers and Transshipment Terminal (Operations).
 - New Developments
 - exploration activities
 - natural gas development.
 - Acquisitions.
- Accountable for \$300 million annual capital budget, \$1 billion annual revenue, \$500 million net income.
- Hibernia Executive Committee.
- White Rose Management Committee.
- Hebron Management Committee.
- Chairperson - East Coast Regional Tanker Steering Committee.
- Board Member - Newfoundland Transshipment Ltd.
- Petro-Canada's East Coast Leadership Team.

Hibernia Management and Development Company**Chief Financial Officer**

1996 to 1999

- C.F.O. responsibilities for \$8.7 Billion asset base in 2012 dollars (\$5.8 billion asset base 1999 dollars), \$4 billion revenue, \$150 million operating expense.
- Executive team member.
- Accountability for strategic and business planning, organization change management, shareholder relations, executive committee interface, commercial activities, finance, budgeting, treasury, risk management, insurance, accounting, internal controls and financial reporting.
- Lead successful placement of \$US 3 Billion insurance program – a global capacity offshore oil risk placement.

Lifting and Transportation Manager (Dual Role with C.F.O. Responsibilities)

- Responsible for lifting and transportation of 50-60 million barrels of oil annually in conjunction with Tanker Operations and Newfoundland Transshipment Ltd.
- Responsible for management of supply vessels, helicopters, heliport, marine base, warehousing, and pipe yards.

Hibernia Management and Development Company

1996

Comptroller

- Financial Reporting, Treasury and Accounting Leadership.
- Project Accounting.
- Led the transition of commercial and business functions from project construction phase through commissioning/start-up and into long term operations.
- Budget and Cash Flow, Tax.
- Insurance - Construction and Operating Program.

Hibernia Management and Development Company

1994 to 1995

Planning & Risk Manager

- Business Planning, Treasury Function, Construction Project Controls interface, Risk & Insurance (construction and operating).

- Hibernia Management and Development Company** 1993 to 1994
Project Business Manager - Gravity Base Structure (GBS)
- GBS EPC Contract \$2.6 Billion capital cost in 2012 dollars (\$1.8 billion in 1999 dollars)
 - Project Controls (cost, schedule, and planning).
 - Contract and Procurement Management & Administration.
 - Commercial Management.
 - Project Accounting, Legal, Internal Controls.
 - Led successful negotiations re main contractor change-out.
- Hibernia Management and Development Company** 1992
Project Financial Advisor
- \$8.7 Billion capital cost in 2018 dollars (\$5.8 Billion 1999 dollars).
 - Senior advisor reporting to Project General Manager implementing project control initiatives, interface with finance, accounting, insurance, customs, tax, and audit.
- Hibernia Management and Development Company** 1990 to 1992
GBS Project Accounting Manager
- Accounting and Finance responsibility for GBS EPC Contract, \$2.6 Billion capital cost in 2012 dollars (\$1.8 billion in 1999 dollars).
 - Financial Reporting.
 - Accounting Management.
 - Internal Control.
 - Audit Interface.
 - Commercial Interface.
 - Bull Arm Site Handover planning.
- Mobil Oil – St. John's** 1989 to 1990
Canada-Newfoundland Benefits Manager
- Hibernia Development Plan Update.
 - Benefits liaison with C-NOPB and Business Community.
 - Development first CNOPB expenditure/employment reporting guidelines.
- Mobil Oil – Calgary** 1988
Regulatory Coordinator
- Administration of Alberta & Canada Oil & Gas Incentive Programs.
 - Liaison with Operating Departments & Alberta Government.
- Mobil Oil – Calgary** 1987
Treasury Analyst
- Mobil Oil – Calgary** 1984 to 1986
Internal/Joint Venture Auditor
- Mobil Oil – Halifax** 1982 to 1984
Materials and Supplies Drilling Accountant – Sable
- Mobil Oil – Halifax** 1981 to 1982
Drilling Rig Accountant, Sable Offshore Jack-up
- Canadian Imperial Bank of Commerce** 1980
Branch Administration

Awards and Recognition

Canada's Clean 16 – 2012 – Corporate Knights Magazine.

Alumni of the Year 2010 – School of Business, Memorial University of Newfoundland.

Community Involvement

Advisory Board – School of Business, Memorial University of Newfoundland.

Board Member and Executive Committee – The Health Care Foundation of St. John's.

Board Member and Executive Committee – St. Bonaventure's College Private School.

Give to Feel Good Campaign - Health Care Capital Fundraising Initiative for NL.

Lecturer - Faculty of Business, Memorial U. of Nfld., St. John's, NF.

President – St. John's Minor Hockey Association.

Team Manager – St. John's Minor Hockey Association.

Basketball Coach – St. Bonaventure's College Junior High Boys.

References

Available on request.
