

MFI – Interview Summary		
Date:	May 08, 2018	
Location:	Le Westin Montreal, Montreal	
Attendees:	David Malamed (Interviewer) Scott Shaffer (Interviewer) Lisa Walsh (Note taker)	Normand Bechard (Interviewee) Sheilagh Murphy (Ext Legal Counsel) Melanie Proulx (In House Counsel SNC)

This document contains summary notes of the interview held with the above noted attendees. These summary notes are not intended to be an official transcript of the interview. These notes were based on the taped recording of the interview. These notes are for discussion purposes only and should be shared only with the interviewee and his/her legal counsel. The purpose of these notes is to determine if the interviewee believes any responses are factually incorrect based on the interviewee's recollection of the interview. Based on feedback from the interviewee revisions will be made if determined necessary.

Date of summary: May 08, 2018

Note: Bolded items represent questions asked by Grant Thornton LLP with the interviewee's response immediately following in point form. Where the response was provided by legal counsel it has been noted.

Start time 8:55AM

- **What was your involvement with LCP and Nalcor?**
 - First of all I arrived in St John's for LCP July 2011
 - Hired by SNC to be project manager
 - I was a counterpart for the project team
 - The project team was kind of separate from Nalcor
 - My role was to drive the EPCM that had been awarded to SNC a few months before
- **And you're leading basically?**
 - Yes
- **What was your responsibilities?**
 - The project director would build the team
 - Manage and supervise the design
 - Do the procurement to do the purchasing or to get the contractors
 - Manage the site and purchasing or contractors – to execute the scope
- **And your team goes in July 2011?**
 - Not really because you build a team as required
 - The first year of a project like this is design
 - You need to do the design to get any work done
 - When I arrived the design was already started
 - There was already a team of 60 people
 - This is why we built a project office on Torbay Road
 - SNC built it
 - Nalcor project team had a specific area for them

- **Do you know who led that team?**
 - There were 3 components
 - Component one was hydro (Muskrat) driven by Francois
 - Component 3 was the substation driven by Luc
 - Component 4 transmission line led by someone from Toronto office
 - I was overseeing those three managers
- **Who were you reporting to at Nalcor?**
 - Ron Power
- **Was that through the life of the project?**
 - It would change
- **What was your interaction with Ron Power?**
 - It was a daily interaction
 - Ron was making almost all the decisions
 - I had to get approval to hire people
 - I had to deal with him very often – every day
 - Almost everything needed his written authorization
- **When you say almost everything you mean day to day management? Hiring the contractors?**
 - More than that
 - The way the Nalcor team was managing the project was managing the EPCM
 - It was a tight management process
 - I was not used to that lack of authority – normally I had more authority
 - Just to hire my admin assistant I had to ask Ron for approval
 - My only authority was to manage the SNC people
 - Any decision impacting cost or budget I had to get Ron Power to authorize it
- **Ron power was the go to for decisions outside managing SNC people?**
 - Yes
- **You weren't involved in Gate one?**
 - Gate one I wasn't part of no
 - Gate two was already done
 - When I got there we were at gate three
- **There was no info that anyone came and asked you for, for Gate three?**
 - Almost everything that has been delivered to Gate three I have been managing
- **Design – when the estimate was done, what was your understanding on how much design was done?**
 - About 30%
- **Is it fair to say that on the generation side it was more than 30% and the link was a lot less than 30%?**
 - No the generation side was 30%
 - The engineering was less – it was the component three of the substation
 - We were waiting for technical specification from the client
 - Even if we were lacking a bit of technical specification we still could do a good estimate
- **Based on 30%**
 - Substation is mainly big equipment
 - When you are in a position to define a footprint – generation needs more than 30%
 - Transmission line we were at 30%

- Contractor was not defined yet
- Prices weren't that different
- Was not a big deal on transmission line
- Transmission line is a lot easier than generation
- **Was that because there were less components**
 - Yes less components
 - Repetitive – conductors all the same
 - Generation defined by the type of turbine you use
 - The money is in the civil
- **What do you mean that's where the money is?**
 - Where the big costs are – excavation
 - Turbine, costs may vary but it's not a big deal
 - Doesn't necessary have a big impact on estimate
- **Attachment B2 decision gate three capital cost estimate**
 - I don't remember specifically seeing this one but this is the type of doc I'm used to dealing with
- **Do you have any knowledge as to why the numbers don't include a contingency?**
 - Our scope was to do direct costs
 - They never allowed us to do contingency
- **Was there any discussions with Nalcor about this?**
 - They said don't bother with the contingency we will do that
- **Who?**
 - Ron power
 - Jason Kean
 - Paul Harrington
- **Any idea as to why?**
 - To them it was an owner decision to make
 - We offered our expertise
- **When?**
 - We had meetings every day discussion all of these things
 - We said within SNC we can offer expertise and easily calculate contingency
 - They said no this is our business
- **Was Paul Harrington part of these discussions?**
 - Yes
- **Jason Kean?**
 - Yes
- **Ron Power**
 - Yes
- **Anyone else?**
 - Scott O'Brien
 - Darren DeBourke

- **Gilbert Bennett?**
 - Not really
 - In 2011 Gilbert wasn't really present in the project office
- **Ed Martin?**
 - No never discussed
 - He was only there 2 or 3 times for speeches to the team
- **These discussions started as early as July 2011?**
 - No probably more winter 2012
 - The contract was clear
 - There was the estimate and a lot of procedures that we had to handle
 - This was before Christmas
 - Came back in Jan
 - They looked at the document we gave them
 - They decided to take the SNC estimate team to the same area and combined the team with Paul Lemay and another guy on the Nalcor project team
 - They did their own estimate
- **You gave them the estimate?**
 - The direct cost estimate yes
- **Then they decided to do their own estimate?**
 - They took that and added in the contingency, interest rate – soft costs
 - They never asked SNC to deal with that
 - Except they took the SNC team and brought them on their side and managed them
- **Is it true that you spoke to them about contingency and they declined and this all took place before gate three?**
 - Before sanction yes
- **Other projects that you were working on - was it traditional that the owner figures out the contingency? Was that unique?**
 - This question is tricky
 - Before SNC I was with Hydro Quebec – who is an owner
 - They have the internal expertise
 - Which is not the case with Nalcor which is why they went with an EPCM
 - They were strict with the scope and they put it in that they would do it
 - If you look in the EPCM contract – normally we are supposed to do it
- **So your contract says you will do the full estimate including contingency and escalation?**
 - Yes
- **Was there project risk that time and what you think from a quantitative prospective or what it could have been. This is before the SNC report**
 - SNC was a risk manager full time according to the contract
 - We were meant to provide a risk management plan
 - Early 2012 Westney came to St Johns
 - Nalcor informed us that we had to do a workshop with them about risks
 - We did many
 - I was interviewed on risk with Westney
 - Westney issued a report to Nalcor and they probably provided a range of contingency that they should have on such a project

- **The last workshop we saw may 2012 – first day SNC people were there, second day they weren't there. Do you know why?**
 - They didn't want us to be there
 - What was the conversation
 - This is what they want you to do – do it
 - Don't do anymore
 - They were managing the project
 - I was not managing the project
 - They just brought Westney in and said you have to work with them
 - We said ok
 - Westney guys were good guys – they knew what they were doing
- **What was the guy's name**
 - I don't know... a guy with white hair like me
- **Richard Westney?**
 - I think
 - He knew that I knew what I was doing
- **Was there anyone who told you not to attend that meeting?**
 - I don't remember
- **You said he was asking questions and you were answering**
 - He was questioning the scheduling
 - We had a very aggressive schedule
 - I mentioned to Ron Power Jason Kean, Scott that it was too aggressive
 - Never been done in Canada
 - There were 20 people around the table when we said that
- **When you said it was too aggressive – it was before sanctioning 2012**
 - Yes it was before
 - Between January and Sanction 2012
- **Did you tell them through email or meetings?**
 - Meetings
- **Do you recall emails or letters**
 - They weren't liking getting letters from me
 - I avoided writing letters to that guy
 - Ron was really mad when I sent letters
 - You work with these guys a lot
 - This is not easy
- *(Legal Counsel) – his email records are going to the commission as soon as possible. Our absolute deadline is May 25th. We are going through them*
- **As the EPCM you're being told what to do by Nalcor and that seems contradictory to the role?**
 - yes
 - and by the way when I went there it was to draw a 5B project
 - when I got there I realized my hands were tied
- **My understanding is that there was a lot of pressure to get the estimate done for Dec 2011?**
 - In no case could we delay the deliverable

- **Who told you that?**
 - Everyone at Nalcor
 - Ron Power
 - Paul Harrington
 - Jason Kean
 - Scott O'Brien
 - Darren DeBourke
- **Why given the size of the project was there such a big rush?**
 - They were having an overall project schedule
 - The crossing of belle isle
 - It was the other components of the project
 - It was important to meet their deadlines
 - I was agreeing with them to meet those deliverables
- **Why such an aggressive schedule?**
 - Hydro projects normally have an aggressive schedule
 - I'm used to that – hydro
 - It can be aggressive but it also needs to be realistic
- **What do you mean?**
 - When we said it was too aggressive it was not realistic
- *(Legal Counsel) – He was using past tense but I think it was just a minor lost in translation*
- **When you say it's way too aggressive what did they say**
 - They said it had to be like that
 - They wanted the first machine running by a certain dates
 - They had issues with Holyrood
 - That was driving the schedule
 - Because Holyrood was coming up - the issue they were having there was driving the project schedule
 - They fixed it taking into account Holyrood
 - Westney said it was too aggressive
- **How do you know**
 - They told me in the workshop
- **What did the people from Nalcor say when Westney said that?**
 - I don't remember exactly but they just said we will have to have the right contractor to make that happen
- **I'm trying to understand – I'm hiring you as the expert you are the EPCM and you are telling me it's too aggressive – do you have any insight – any other thing you were told on why the schedule was so aggressive?**
 - I can say by my experience that they may have mentioned in a meeting
 - The soft costs on the project are often more than the direct costs
 - Only the interest can be a big number- delaying by one year could be a half a billion in interest alone
- **Was the schedule not possible?**
 - I didn't say it wasn't possible but I told them it has never been done
 - Hydro – sometimes things have never been done and someone tries and succeeds
 - Example: 20 years ago to install a turbine generator it would take 4 years, the last time I did a project for Hydro Quebec it took 48 months, today Hydro Quebec is taking 36 months to do the same
 - You change the way that you work – get more efficient and you do it
 - Never been done doesn't mean you cannot do it

- **Your responsibility was building and managing your team. But your team became their team. Are you still in charge of the SNC people?**
 - No
 - I had the largest office
 - SNC was the owner of the office and I was the project manager
 - They moved me out of my office
 - Paul Harrington was sending a clear message that he was the boss – no more Normand
- **During 2011 SNC was working on the design and estimate – design continues 2012 what else was SNC doing then?**
 - Design and supplying labour
- **Who from Nalcor would make those requests for staff?**
 - The integrated team they had a procurement and component manager
 - Component one was Scott O'Brien
 - Component three was Darren DeBourke
 - When those guys needed people – they were asking SNC if they had staff available
 - They decided if they would take from SNC or elsewhere
 - Same with component 4 it was Jason Kean
 - Procurement Pat Hussey
 - They would decide who they wanted
 - We were a man power shop
- **The story we've been told from Nalcor was that the reason the role changed is because of the staff SNC were providing**
 - Never true or false
 - I brought senior men and women and they didn't want any of them
 - Scott had been really unfair when he interviewed the woman – There was a woman I recommended to be the resident engineer, Scott O'Brien was very unfair to her when he interviewed her. She is on the Keeyask project with Manitoba Hydro now
- **Were these CV's presented mainly to Scott O'Brien?**
 - Scott O'Brien yes but always Ron Power
 - Final decision was Ron
 - Scott was doing the interview and talking to Ron
 - Are you familiar with PAA (Personal Assignment Authorization)
 - They need to have a signed off PAA and the only one who was signing off on that was Ron Power
 - If I was assigning someone to the project without that PAA, we were not paid for it
- **Did that happen?**
 - Yes
- **Who let you know that the approval wasn't in place? Ron Power?**
 - We were discovering it when we were invoicing
 - They were cutting the payment
 - Accounting was calling and asking why, and I went to Ron about it
 - So my first question was do I get rid of the person – sometimes yes and sometimes no
 - The PAA process was painful – micromanaging
- **You have heard of the Monte Carlo for contingencies – in your experience that this is the best practice**
 - Yes- still today

- **They used P50 - is that best practice?**
 - Not necessarily
 - Back in the day it was acceptable but now P85 is what you want
 - Even SNC is doing P85
- **The higher the P the lower the contingency?**
 - Contingency is something but you also need risk allocation
 - You have to put mitigation in place
 - You may have to decide that you need so many million to cover the remaining risk that you can't mitigate
 - Normally contingency is about known scope
 - May vary for some reason
 - You take a contingency to cover the unknown
- **The second day of the workshop that SNC didn't attend – a risk range came out of it – my understanding those numbers are fed into Monte Carlo and the numbers are ran with P50. Say you go P50 to P85 does your count get larger?**
 - Yes
 - The range is highly impacted by the mitigation measure
 - You can narrow in the range
- **The higher the P the more the contingency?**
 - Yes for sure
 - I have been made aware of the contingency only mid 2013
 - The project control team was a team composed of SNC people and Nalcor people
 - The one that was in charge of that team was an SNC employee
 - They are using the SNC tool to control the projects still today
 - To feed the tool – to allocate money to every item, you need to have the full number or your cost allocation has a gap
 - Nalcor were refusing to give us those numbers
 - You get to a point where you say we cannot issue the cost reports because you don't have the information
 - Then they decide to give us the number
 - You need to allocate money to wherever it will go and that becomes the budget
 - Contingency needs to be spread over work packages
 - There were a lot of soft costs they were keeping from them
 - So we were incapable of giving a good cost report
- **You're keeping track of the costs as the project progressed. You're having difficulty tracking budget to actual because you didn't have all of the soft costs?**
 - Yes
 - We were missing info
- **2013 you became aware?**
 - Yes
- **How did you become aware?**
 - They gave us the number
- **Who?**
 - Jason
 - He was driving the show on the project controls
 - We were fighting to get those numbers
 - We had our hands tied
 - Jason finally gave us the numbers

- **Why didn't they give you the numbers**
 - They were afraid for the numbers to get out
 - Not going to comment
- **I've heard before that there was a worry that knowing budget potentially would – someone who was making a proposal would know the right number**
- *(Legal Counsel) – what do you mean?*
- **The estimate number if it was higher potentially would alert someone that there is a bigger budget than they are aware of.**
 - This is not how SNC works
 - You have work packages
 - You define percentages of the package – ex: turbine half billion package. Normal contingency in this type of package is 3-5%. Take 3 from the billion dollars. You get the range of who you can award the package
 - Since we don't know the contingency we only have limited budget
 - How do you know when you get the price that our have the range to award the contract
- **And the reason for that is that the contractors need to pull that into their price?**
 - No the contractor builds price according to costs
 - Project contingency doesn't mean anything for them
- **Did anyone from Nalcor indicate to you that they didn't want the costs to get out to the public?**
 - Probably
- **Do you recall who?**
 - More than one person probably
 - Everyone on the Nalcor team were scared about info getting out
 - Every week/month we were warned to have no info going out
 - I would have meetings with my employees and having to say to them to make sure no information got out
 - Paul Harrington mentioned it very often
 - Ron Power
- **Was it being said in the contest of this project is going to cost x billion and we don't want the public to know?**
 - Yes
- **Did they tell you why?**
 - By experience I know why
 - When you are in the sanction process – if there is issues raised in the public it may disturb the sanction process
 - It may cause them to go into sanction or not
 - Something that I can support – this is not someone on the project team knowing the information that got to go out
 - People knew portions of the information but didn't know the whole picture on the project team
- **Was it reasonable?**
 - Yes
- **Who at Nalcor should I ask the same question to? I am assuming Jason Kean, Ron Power, and Paul Harrington?**
 - And Gilbert Bennett

- **You haven't mention Gilbert before – did he say it?**
 - Not sure Gilbert did
 - I know Paul for sure
 - Gilbert dealt with corporate level - He worked on transmission line
 - When we got that information there were a lot of requirements that was coming from the team that was effecting rising costs
 - If you go there it would cost that much more million
 - We started to see Gilbert in the project office more and more
 - He was filtering to make sure that the technical requirement was reasonable to mitigate impact on costs
 - They were not having any experience with DC
 - DC example
 - DC is the cheapest way to transmit current
 - There was no one at Nalcor with DC experience so they hired an external consultant to support them
 - Since they weren't having that experience, it was taking time
 - It was scary on the way that they were going to operate the system afterwards – because they have to operate the system for the next 100 years
 - There is no place for big error
 - Finally they succeeded in getting the right specifications and made their mind up on the way they were going to operate the system
 - Finalized the design
 - Got a supplier who did the installation
- **How it's going to run?**
 - Yes
- **And that changed? Or it was just developed?**
 - What do you mean
- **You said the time that it took was because they were still working on the design, does that mean it changed? Or was it just refined?**
 - Changed because of the technical specification requirement
 - I am not an electrical engineer by the way – I don't want to get technical
 - To transport energy on the DC link you need to control the frequency of the transport
 - You need to define the level of that
 - Define the safety requirements
 - The level of stability of the network
 - We were working with them so they can understand what they are going to be operating in the future
 - How they are going to work with the supplier
 - If that system went out - all Newfoundland would have a blackout
- **If there was revisions to design does that mean more staff needed?**
 - On their side? I don't know
 - We never discussed the level of staff they required to operate
 - Our job was to make sure that the technical specification that we would be putting in the tender document
 - The supplier will be in a position to support that with a high level of efficiency
- **So gate 3 package comes out and talks about class 3 estimate with -10 +10.**
 - +10 -15 from my understanding
 - The range of a class 3 - It's written in the contract
- **Which contract?**
 - The EPCM
 - This contract is very detailed

- If you read it it's the most complete contract I've ever seen
- *(Legal Counsel) – I have a copy of the EPCM contract (exhibit NB1) if you would like to look. We have an excerpt for exhibit 3 of the contract section 3.5. A list of deliverables that we needed to provide for gate 3 and it says Class 3 estimate. It says the range would be the AACE norm.*
- **The point is that SNC was hired to do an class 3 estimate with the range of norms I think it's -10/+30**
 - The contract isn't giving specifics on the range but its AACE standards in terms of the cost specification system
 - Oh its 10-40%
- **Design completion is 10-40, but the accuracy is -10/+20 isn't it?**
- **The bottom line is SNC was hired to do class 3 estimate with the range being whatever the AACE standards**
 - Yes but this was not what we were doing
 - We only did the direct costs
 - This range was related to the full estimate but we didn't have that
- *(Legal Counsel) – because you were told not to*
 - Correct
 - They limited our scope on doing the estimate to doing the direct costs
- **Had you been allowed to do the full estimate what would you have done differently?**
 - All the soft cost: risk allocation, management costs, owner costs, interest during construction
 - Price escalation, which we haven't done
- **Because you were told not to?**
 - yes
- *(Legal Counsel) – did you get any feedback on that estimate and the quality*
 - Westney mentioned in their report that the direct cost estimate was one of the best they have seen
- **Richard Westney said that?**
 - Yes
- **Anyone from Nalcor?**
 - Yes
- **Any dealings with John Hollmann from Validation estimating**
 - No I don't think
- *(Legal Counsel) – Lets mark these as exhibits to the interview so we can refer to it. The one from earlier will be NB1 (agreement between Nalcor and SNC Lavalin), The AACE class classification system can be NB2*
- **LCP bid evaluation plan CH0007 (NB3) – you were an advisor to that team?**
 - Yes
- **How did you feel about the team picking Astaldi? Did you advise them at all**
 - No not really
 - The tender had been analysed but the team assigned that task
 - Also there has been a field trip with some people to see some sites with Astaldi
 - To make sure they were executing the way that was required
 - Those contractors knew what they were doing
 - They had the capacity to execute

- Astaldi and Impregilo had a price that was almost the same level
- I didn't have the detail – they pushed me aside
- They were not willing to let me to get involved in that
- Wasn't involved in any awarding except turbine engineering package
- I was an advisor – only advised when asked
- **Did you have any input at all to that work package?**
 - Almost nothing
- **You're familiar that Astaldi wanted to build a dome?**
 - Yes
 - It was an SNC recommendation
 - A dome or temporary shelter
- **When was that a recommendation?**
 - In a workshop
 - To be in a position to deal with such an aggressive schedule there was no way without a shelter
 - No shelter no way
- **Have you been involved in other projects with shelters**
 - Yes
- **It worked?**
 - Yes
- *(Legal Counsel) – to clarify was it a dome or shelter*
 - In the contract the contractor has to supply a temporary shelter so they could work 12 months a year
- **Do you know if anyone else who had submitted a proposal would have included a dome or shelter?**
 - To be compliant with the contract they have to comply and include a shelter
- **I didn't realize that**
 - Look at the document
 - The team recommended Astaldi – they must provide a shelter
- **Astaldi - This work package came in higher than the estimate – why?**
 - There is many reason that can support pricing from the contractor
 - Astaldi never worked in Canada
 - Never worked in an area like Labrador
 - We did our estimate on so many man hours
 - If they are not confident on the quality of man power they may get during the execution they may double it
 - That would raise the cost up
- **The estimate would have assumed that the contractor would have worked in this type of environment before?**
 - Yes
 - This estimate was done by past projects and used man hours that were best practice
 - I also know that they factored our estimate in
 - Nalcor didn't negotiate the manpower agreement
 - They had the information the deal with the union
 - The quality and productivity with that manpower

- **The budget estimate indicates total man hours of about 3.7m man hours – 2.2 direct 1.5 indirect. Astaldi 6.8m man hours. When Nalcor took your estimate they put a factor of 20% on your estimate**
 - Yes
- **Jason did that?**
 - Yes
- **That eventually would have been adjusted for the base estimate amount at sanction?**
 - Yes
 - The package was meant to be a lump sum
 - We wanted them that this package was too big
 - By experience a billion package was always higher
- **Ron Paul?**
 - We warned them
 - We told them at least 25% higher
- **What month or year for the minutes?**
 - Probably 2012
 - Those decisions were really contrary to what we were proposing in the EPCM contract
 - They were promoting big package – substation we warned would be over 1B
 - We split Muskrat into 3 or 4 packages
 - We were in the position to split the powerhouse into two packages
 - If they were willing to change their mind on packaging then the estimate
 - You cannot do a change like that if the design isn't done accordingly
- **You told Jason this?**
 - Yes
- **What did he say?**
 - They were told by the lenders to reduce the number of risks they were taking...I was having discussion with Jason but also with Lance at the time because this is Lance that was, that was dealing with lenders. I was telling lance "Lance listen these guys are there to make money with interest but you should be careful because if you go their direction you are going to pay a premium to transfer risk to contractor and that premium can be very high"
 - So they were told by the Lenders –
 - To limit the number of package, to send risk to contractor
 - This is what I was told by Lance and Jason
 - To me it was inadequate
- **Larger the package the less contractors that can bid on that package, hence your price will go up?**
 - Yes that's the name of the game
- **Astaldi - How were the companies identified?**
 - The procurement process was a step process
 - They were going out looking for expression of interest
 - Then there was a team that was looking at a name
 - Prequalifying process where they had to fill out a document
 - After answering the document they were qualified
 - This is how they came with Astaldi, Kiewit Consortium, Aecon Consortium and Bridger
 - Other contractors were probably not financially sound to bid on the packages
- **Doc –May 18 2012 pre-qualification. Says list of targeted companies. How would Astaldi have been identified (NB4)**

- Because they answered the EOI
- **There are some notes on the side on Astaldi. Is it possible Nalcor reached out to Astaldi before Astaldi contacted Nalcor?**
 - This I don't know
 - When it's time to find a contractor that has capacity
 - You see here that they worked in South America
 - I know there was a field trip in Chile
 - You're looking at what's going on
 - Send out an EOI
 - You get a list out of the EOI
 - You try to get at least 4-6 bidders – 4 is a risk, 6 is best
 - To give you a hint Hydro Quebec would never give a billion dollar contract to any contractor ever
 - The costs will escalate
 - You are giving control to the contractor
 - You're not controlling anything because of the size of the work package
- *(Legal Counsel) - break*
- **Restart - 10:41am**
- **Document – NB5 – memo dated April 23, 2013 from Michel MacKay- have you seen it**
 - Yes
- **You know it well?**
 - Yes
- **Why did Mr MacKay write the memo?**
 - He was asked by me
- **Why did you request the memo to be written? Tell us what was going on?**
 - Long before the exercise of doing that risk review there was a lot of things going on and one of those main things going on is
 - SNC was pushed aside of any decision on any strategy
 - So ,in fact, we're still having an EPCM contract because they were refusing to amend it
 - But we were a body shop
 - And with an SNC manager like me got the obligation to do corporate risk review
 - So I was looking at what was going on and said, jeeze, some day for some reason if this project starts slipping, there is a big risk for SNC to get its reputation damaged
 - So I discussed with my boss at the time, Bernard Garner
 - He support me to get an independent team from SNC to do that risk exercise. I knew at the time that doing it, I was doing risky thing because the contract was clear we were not allowed to get the risk review done. We thought having the Nalcor agreement
 - On the other hand the way that I managed that risk review everything has been done outside the working hour
 - We were having a team dedicated to that in Montreal within the mines and metal division from SNC
 - Michel was the risk director in this division
 - So, I spoke with the EVP of the mine and metal division and I asked him if he was adding the to get the risk review done
 - And he finally said yes so I give him kind of a purchase order to mobilize the team and
 - All costs to perform that exercise has been paid by SNC not by Nalcor – outside the hour
 - We were doing that on video conference in between 6 to 10 hours night, early in the morning, whatever availability we were having outside the working hour.
 - The team , the M&M team that did the task was a deep season team
 - Those guys were used to deal with big projects, billion dollar projects

- One of the guy even has been seasoned project director with Hydro Quebec , at the time he was with the M&M division at SNC, He was retired from Hydro Quebec himself was having more than 40 years' experience in hydro and he was part of the team
- So we did the risk review and Michel issued a report with the conclusion
- I handed the report to my boss, Bernard Garnier at the time, Scott Thon, and Bob Card (SNC CEO)
- **Did you hand it to Bob Card?**
 - Personally yes, myself
- **What were the conversations you had with Bob about it?**
 - At this period of time we were just finalizing the exercise
 - And Bob came to St John's
- **You were there with him?**
 - Yeah, I had been driving him all across St John's
- **So personally you were with Bob in St John's. So why was Bob in St John's?**
 - So Bob was coming to St John's personal because the Lower Churchill was one of the most important projects for SNC
 - Bob was himself someone which was involved in big projects and he was liking being involved in big projects so he came to St John's
 - I did him a briefing of the project, the scope, the contract, what was going on. The issue that we were having with the client
 - I hand the risk report, look at it,
 - He was having a planned meeting with Ed Martin when he was in St John's
- **To meet with Ed, not about the report?**
 - No
- **About something else?**
 - To discuss CEO to CEO – which is normal, like CEO to CEO the organized meeting to discuss.
 - Bob brought the document with him (SNC Risk assessment report for the LCP – April 23rd) to meet Ed
 - I brought myself, Bob to the Columbus Drive office (Nalcor) with my car, drop him there
 - He was having a one on one meeting
 - I don't know what was the agenda of the meeting, the only thing I know is Bob's intent was to offer Ed Martin the copy that I hand to him their meeting, he phone me back, come get me, I got back there, bob got in the car and the only thing he told me , he say Ed refused to have the document
- **Ed refused the report? To receive the report?**
 - Yes
- **What happened after that?**
 - Nothing
 - After that, we were having a team meeting, Bob was meeting all SNC employees in a room we rent in St John's so we spent most of the afternoon with the Lower Churchill SNC team and then he flew back to Montreal
 - Then a few days later I knew that I was having to come back about that report
 - For sure Ed Martin will have talked to his direct report that we did that
 - I was not remembering that meeting with Paul Harrington but I had a meeting with Paul Harrington where probably asked me why we did that
 - I told him, first of all you didn't pay for that report, we did that on our own money and I did that because corporately, I got the obligation to warn my organization about anything that may affect them – this was my duty

- **Did Paul Harrington ask to destroy the report? Anything like that?**
 - I don't remember but if he had done so, I say no way this is not your report
- **Did Paul Harrington ask for a follow up report?**
 - No
 - He told me that risk management, this was their business not our business
- **Was anyone else in that meeting with Bob and Ed**
 - Not to my knowledge
 - It was a face to face one on one meeting
- **Was anyone in the meeting with you and Paul Harrington?**
 - JD
- **Anyone else?**
 - Not that I remember
 - It's not clear in my mind – there are so many things going on in my mind
 - I know they were frustrated
 - They made me feel cheap
 - I was disturbing the way they were managing their project
- **Did SNC email or mail the report to Ed?**
 - No
- **Why?**
 - I don't have the reason – this wasn't my business
 - Why Bob or Scott (EVP) didn't do anything
- **Did Paul Harrington say that other people at Nalcor knew?**
 - I don't remember him mentioning anything about it
- **Did he say anyone else knew about the report besides Ed Martin?**
 - Not to my knowledge
 - When Bob got out of the meeting – he didn't have to report to me what happened
- **How long did they meet for?**
 - An hour
- **Bob called you?**
 - He called me or emailed me
- **When Bob sat in the car he told you he refused to take the report?**
 - Yes
- **I am guessing Bob would have told Ed the contents?**
 - I don't know- this is not my business
 - This was a conversation between two CEO's
 - The purpose for Bob to bring the report was to warn them
 - We had expertise and we did a report to warn them
- **Did Paul Harrington seem to know the numbers?**
 - I don't know
 - Paul was a bully

- He tried to bully me so often
- Maybe he was so mad that he started bullying me and I just had to shut my ears off to listening to him
- **Did he say anything about covering it up?**
 - Not to my memory
- **Did he mention stakeholders?**
 - Not to my knowledge
- **Your meeting with the SNC team – was there discussion of this report?**
 - No this was highly confidential internal SNC document
 - We were not trying to alert the public
 - Very few people knew
 - This report never came out before June 2016 when Stan Marshall got it
 - There may have been discussions within the project office right after the meeting – but after that we never spoke of it
- **How did Stan get the report?**
 - Pierre St-Arnaud my boss in June 2016
 - When Stan took over, he had meetings with Pierre
 - He had a copy and gave it to Stan
- **Was Stan told Ed Martin refused it?**
 - Probably
- **In your meeting with Paul Harrington did he speak of the contents of the report?**
 - Not to my memory
- **Did you tell him the contents**
 - No I don't think
 - I didn't have a goal or intent to go forward with it
 - They closed the door
- **Did Paul Harrington say other people at Nalcor know about this?**
 - Yes, Jason Kean was aware
 - I offered Jason to give him a copy
 - Because Jason was the risk manager
- **What did Jason say when you offered to give him a copy?**
 - He said no, I don't want it
- **Was Gilbert Bennett aware?**
 - Most certainly
 - He was probably the first person Ed informed about the report
 - I don't have any proof of that statement
- **Ed would go to Gilbert and Gilbert would go to Paul? Then Paul would have went to Jason?**
 - Yes
 - Lance Clarke probably knew as well
 - These guys were the managing team – no decision was made without telling these guys
- **In this memo- what was the process you used to quantify the risk in this?**
 - We had a tool with SNC called at risk – it's like Monte Carlo that would give us the number

- **Is it fair to say the reason why your calculation is so much higher than Westney because the range of the dollar inputs we talked about (low and high) – your numbers were higher than what Westney were given?**
 - Could be, our number was probably higher
 - We probably had more of a risk in our register
 - We did the risk review with the fact they were going with a big package
 - The risk with a big package – 1B 25% is 250M – that has a big impact
- **You said the lenders were requiring a bigger package?**
 - According to Lance they were imposing big packages
- **Was this before sanction?**
 - Yes
- **Was it in 2012 before the sanctioning that you told Nalcor folks that there is risk with these big packages?**
 - Yes we made that statement in 2012 and 2013 – we made it often
- **Getting back to the memo – do you know what a different new perspective means?**
 - About the way that Nalcor was promoting to execute the project
 - We produced that and handed it to Nalcor
 - They did their own PEP and their own was different than ours – this is probably what they mean by that
 - This is the way they decided to execute the project
- **What are the guidelines they are referring to?**
 - There are guidelines within SNC that dictate the way the risk analysis should be done
- **Where those guidelines shared with Nalcor?**
 - Yes they should be included in the risk management plan
 - We did the management plan according to SNC guidelines
- **In the risk management plan would there be quantification of the risks?**
 - No the purpose is not to quantify – it's to tell how to do things
- **Was an initial in-depth study done?**
 - No
- **Do you know if Nalcor do it?**
 - No
- **Was Ed Martin told that this study needed to be done?**
 - No I don't think so
 - Bob didn't have that memo
- **Was anyone else told they needed to do the study?**
 - Not to my knowledge
- **You didn't have any discussions with Jason, Paul or Ron?**
 - No they closed the door – said this is our business
- **It says here that you were contracting with contractors?**
 - Not SNC – Nalcor was
- **Reads part of the document – Today SNC has only committed 690M out of 4.5B. What does that mean?**

- Remember the tool I discussed – to control the project
- So in that tool we commit the number
- When you award a contract to a contractor it's a committed amount
- The date that we did that there was 690M committed
- **Back in April 2013?**
 - Yes
- **As far as you know, was anything committed on SOBI or the Maritime link?**
 - At that time for sure
 - We were doing the design of the link
 - There were certainly committed money
- **How much money?**
 - Not sure – not that much
 - SOBI is a huge amount but very few contractors
 - You need to buy the cable which was probably the biggest amount of the 6.5B
 - Contractor
 - Supplier of the cable was placing the cable in the casing
 - This has been done in 2014-2015
 - Italian supplier
- **Is it fair to say for the purposes of the Maritime Link and SOBI, the 1.6b dollars of total cost that was part of DG3 – that very little contracts were committed to at that point?**
 - Yes
- **Number 4 under considerations – The issues of large contracts are because of the lenders, because of this we have restricted ourselves to a smaller pool of contractors who are able to bid, which causes higher prices.**
- **That's what you were referring to earlier**
 - Yes
- **At the time the estimate was made – that was not a consideration?**
 - No
- **Was it in 2012 that you became aware that the lenders –**
 - Yes
- **Before Sanctioning?**
 - Yes
- **You're telling them that the lenders – by having these large packages you are driving up the price of the estimate we gave you in Dec 2011 – What did Paul Harrington, Gilbert Bennett, Jason Kean, Ron Power say? Or Lance Clarke for that matter?**
 - I was having the biggest discussion with Lance about it
 - He would say we don't have a choice , the lenders are dictating this way
 - If you want a lease this is the way we go
 - The lenders to get their financing at a decent rate versus a different plan
 - Which was more realistic to get decent pricing
- **Why wouldn't they up the estimate?**
 - I don't have the answer to that
 - My intervention or influence stopped there (points to document), after that it's their game

- **Why not up the contingency?**
 - They should have done it but they haven't done it to my knowledge
- **Ever heard of Matthew pike?**
 - I think this is a site guy – familiar name
- **You left the project?**
 - Yes
- **Why?**
 - Because I was useless
 - I was well paid but losing my time
 - My decision was based on a fact that I was to protect SNC as much as possible from any rebound
 - My role was to get the design and drawing to a stage when it's done
 - It was a point where SNC was just a body shop
 - Most of the construction documents in Dec 2013 – for what they were looking for – I was useless
 - I was sitting in my office doing nothing – a guy like me?
- *(Legal Counsel) – do you want to explain what happened – why you were feeling that way*
 - I have been a guy with very high accountability and responsibility all my life
 - I'm there and I've got no accountability and no responsibility
 - Not even managing the SNC employees
 - Because they were normal employee
 - They were managed by other people
 - You show me that I was an advisor
 - As an advisor no one was coming in my office
 - Very few people were coming and to ask me if what do you think about this
 - There were a few people but very few
 - I was useless
 - I was away from my family for this
 - I had other things to do
- **What did they say when you told them you were leaving?**
 - I cannot tell if they were happy
 - Even if they weren't using me I was perceived as someone adding a lot of experience
 - Did you know they were hired to act as an owners engineer (MWH) – the guy from MWH knew me from another project
 - So in a way I was endorsing
- **Did you discuss with your fellow engineers Westney etc. Did you say Westney said the larger packages would drive up the packages as well?**
 - No I didn't say that
- **Did any other consultants say they advised Nalcor on the risk?**
 - For sure
 - Most of the people we brought in said it was a big risk having such large packages
 - Warning often
 - Even internally there were people disagreeing with their strategy
 - Even people working at Nalcor were disagreeing – John Mulcahy the construction expert. He was working with us, dropped in often and asked how I felt. He was frustrated
 - Another guy who was driving the transmission line – he was not agreeing either but didn't have an influence
 - Probably others but I don't really remember

- **When you said you prepared a purchase order?**
 - Internally it's not considered a purchase order
 - A project number they can charge to
- **How many hours spent preparing the report?**
 - 200-300 hours
- **Why was the report prepared outside regular hours?**
 - To be fair to the client
- **At risk – you said it was a Monte Carlo model. Do you have to put a probability in there?**
 - I'm not familiar but I would say so
- **Was it P85??**
 - Yes it was P85 because it's an SNC requirement
- **It's Michel that would have said that?**
 - Yes I think so
- **Is there any guiding principal on when an estimate needs to be revised**
 - Within SNC? Yes
 - You are supposed to have a peer review
 - You take a task team
 - You get seasoned people to review it to make sure everything is aligned with reality
- **The packages start coming in 007 and it was a lot higher than the estimate. Did anyone say you needed to go back and reevaluate?**
 - At that time I was no longer involved
 - They were keeping me out of tendering processes on purpose
 - They never asked me advise – nothing at all
 - I heard some number after the award (Astaldi)
 - But during the award process – nothing, on purpose
 - They never asked my advice
- **What number did you hear in Sept 2013?**
 - Four bids, the highest was 2B
 - 1.6B
 - Astaldi and Impregilo was 1.1 or 1.2B
- **No one said our sanctioning budget was 6.2B it was more like 8B?**
 - At the point I wasn't aware of the 6.2B
 - Wasn't aware until later
- **Later than 2013?**
 - Yes
 - I wasn't aware of the contingency – when I got that number I felt it was stupid
- **How did you get that number?**
 - Some people who weren't supposed to tell me
- **Did those people say they weren't supposed to tell you this?**
 - Yes
- **Jason or Lance?**

- No never – they would never give me that information
- **Is that person still working with Nalcor?**
 - I don't think so
- **When I look at the agreement for SNC (NB1) the EPCM contract – page 26-28 the responsibilities. One of them talks about the consultant's responsibility management. Is it only the communication of the SNC report – is it not a requirement to communicate the risk management report?**
 - Under the EPCM scope yes
 - But they changed that scope a lot as we went
 - To give you an idea – fall 2012 early 2013 I was having a risk manager working for me doing that and he quit to go elsewhere. When I went to Ron Power to ask to fill the position he said no you will not fill the position we will deal with it. I discussed with Jason and he said we will take care of risk management from now on
 - We took JD who was doing the estimation. I agreed to keep JD on being the risk manager only to keep it updated
- **I want to make sure I have the date's clear- your role changed to update the risk registers because Ron told you to?**
 - Ron Power and Jason- mostly Jason
- **When did they tell you that?**
 - Yuri was our risk manager – it was when he quit
- **Was it before sanctioning?**
 - I am not sure
- **Before the financing? Late 2013?**
 - The risk was done in April 2013
 - JD was already the risk manager at that time
- **Nalcor uses Aconex?**
 - Bullshit system
- **Tell me why?**
 - This system is just a document tracking system doesn't manage documents
 - I suggested using SNC's system - PDM
 - For some reason Ron was getting mad like hell – telling me to go to hell we will never use PDM
- **What was the responsibility to use?**
 - Contractually it was PDM
 - But in the contract it stated that they must approve SNC tools, and they never approved PDM
 - They may decide to use a different tool
 - That was a big fight
- **What was his reason for not using PDM?**
 - PDM is a big system requiring a lot of people to manage the system
 - Aconex is a server in a wall that receives documents – almost no people needed to run it
- **How did you know what to post there?**
 - Honestly I don't know
 - I was always against Aconex
 - Because it was a pain in the ass

- SNC to this date (2018) still doesn't have access to all project documents because they can control who got them
- *(Legal Counsel) - to your knowledge - to the date of your retirement*
 - Yes
 - They can restrict our access on Aconex
 - If it was PDM we would have full access
- **There were restrictions to upload?**
 - Yes
 - Say I want to know what's going on in the turbine package – there is a folder and risk and we don't have access to it
 - Some people had limited access but were authorized users
- **So they need addition access to get into certain folders?**
 - Yes
- **Anyone contracted with Nalcor can upload or communicate through Aconex?**
 - No they had limited access
- **You can go to your folder and upload anything you want?**
 - Yes
- **Was there any policy in terms of what should be or should not be put – from Nalcor to SNC**
 - I am not aware but there is someone who was instructed to limit access to SNC
- **Did anyone think to put this report on it?**
 - No – Aconex wasn't in place at that time
 - Put in place mid 2013
- **Was there instructions on what to put on Aconex?**
 - This report?
 - We didn't put this in because it was a corporate document not a project document
- **Did you have discussions with anyone at Nalcor on why SNC had limited access**
 - Yes many fights
 - Ron Power, Jason Kean, Lance Clarke
- **You had obligations under the agreement that you needed access for?**
 - Yes
- **When you had conversations what did they say?**
 - When they first put Aconex in place, they were working as an integrated team
 - The first thing they did was push out all SNC's systems except the project control tool
 - They are still using PM+ because there is no other tool like it in the world
- **What was the reason for doing that?**
 - Because they wanted to be the boss
 - Everything was Nalcor
 - We were supposed to provide the system
 - This was they were able to control everything
 - Except PM+ there is no other SNC system in this project

- **The reason they engaged SNC was because of their expertise. What changed- how did that match your experience to form a new team?**
 - Nothing – they didn't get it in my opinion
 - When the federal loan guarantee happened everything changed – personal statement
 - They had everything
 - They became independent and didn't need me anymore
 - They were proud that they could manage it all on their own
 - They didn't need me anymore
 - Changed the organizational chart and took over
- **Did they ever communicate the reason they wanted to take over**
 - No
- **Did they communicate frustration with your staff?**
 - No
- **Were there issues?**
 - Daily yes
 - When you have a difficult client who thinks they know the truth – daily issues
- **Does this report (the SNC report) reduce SNC's exposure?**
 - Yes and this is the purpose of it
- **But then it would have to be communicated?**
 - It is – we decided when
 - It got to the media
 - Everyone in Newfoundland knows we warned them
- **We said Ed martin Paul Harrington and maybe Jason Kean knew the contents?**
 - They knew about the report but not necessarily the contents
- **Was there any other docs prepared by SNC refused by Nalcor?**
 - Yes
 - Document prepared by Luc Chausse on the strategy to contract the substation and DC converter work – another 1.2B package
 - He was the Component 3 manager – a really experienced guy
 - We were against their packaging strategy
 - They had someone from America with big ideas on reducing costs
 - I got out of there frustrated
 - I went to Darren DeBourke and said you made me lose half a day by listening to this stupid guy
 - Finally Luke wrote the report and handed it to Darren DeBourke and Jason Kean
 - What they did with it – don't give a hell
 - We said this will get you high costs and high risks
- **Was there anyone at Nalcor who was friendly? Someone you could talk to?**
 - Are you serious?
 - no
 - the best relationship I had was Jason Kean – he had the most experience
 - he acknowledged the experience we were having
 - he was caught in the system
- **He reported to Paul Harrington?**
 - Ron Power and then Paul Harrington

- **Did you involve internal counsel on the SNC report?**
 - I don't think I did that myself
 - Did Bernard do it? I don't know
 - I can suspect that there was discussion with the lawyer at the time
 - At the same time we were trying to get the contract amended
- *(Legal Counsel) – Any discussion had with legal counsel is considered privileged and you don't need to talk about it*
- **Do you know what ATIPP is? Access to information protocol?**
 - No
- *(Legal Counsel) – it's the access to personal privacy act. It means that all government entities documentation is producible and compellable. Like FOYA in the states. It's my understanding that Nalcor is subject to that as its provincial law. Courts are exempt.*
- **If a report is delivered to Nalcor, how do you close that off?**
 - I am not sure – I don't know if there is a policy on closing the report
- **Was this report shared externally outside Nalcor?**
 - Not to my knowledge
- **This would not be on Aconex because it came out before Aconex was in place?**
 - I would be shocked if it was
- **When you communicate with Nalcor, how would you have communicated?**
 - Email
 - Aconex was probably in place at Nalcor but not SNC at that time
- **The purpose of this report was to identify risks for SNC?**
 - No the purpose was to provide SNC mitigation to a potential slippage in the project
- **So save it for later?**
 - No not necessarily
 - During that time they drastically changed the scope of the EPCM contract
 - They were telling us we don't have to amend the contract
 - They were refusing to listen
 - They were refusing to amend the contract
 - SNC got a contract with that scope and cannot do anything – that's a big risk
- **I haven't seen the revised**
 - The amendment was revised in July 2017
 - Legal – the amendment to the EPCM contract was finalized in 2017, yes. That was produced to the commission
 - Just imagine they signed off in 2017 – I don't know when I produced the first proposal to amend the contract maybe 2013 – it took 3 years
 - They did change the contract
- **Do you know why Jason Kean left?**
 - Yes
 - I don't have the full story
 - What I know is that he has been fired by John Maclsaac
 - I am still in contact with Jason but I didn't ask him
 - When someone like that is fired – you shut your mouth

- **Where you surprised he was fired?**
 - Yes
- **Why?**
 - I still have a lot of respect for Jason, good worker, straight forward
 - It was hard to see a good project manager fired from a project like that
 - He was held responsible for the slippage
 - He was the sacrificial lamb at that point
 - Someone had to pay
 - Could have been me
 - They did the same thing to Darren DeBourke – the C3 component manager
 - He was asked to leave a few months after Jason
- **By Maclsaac?**
 - Probably because he was the EVP of the C3 C4 component
 - He did the clean-up
- **Can you tell me how you prepared for today?**
 - I had a meeting with counsel for three hours yesterday
- **Have you talked to anyone?**
 - Saw Paul Lemay and Michel MacKay
- **Is there anything we should have asked?**
 - No I don't think so
- **Any concerns over fraud or kickbacks?**
 - No
- **We may have more questions – would it be okay if we reach out to you?**
 - Yes – even though I am retired I have a lot of activities.
 - I've given my availability
 - I am going out of the country