

MFI – Interview Summary					
Date:	November 16, 2018				
Location:	Grant Thornton Office – 15 International Place, St. John's (over the phone)				
Attendees:	<table border="1"> <tr> <td>Angie Brown (Interviewer)</td> <td>Keith Dodson (Interviewee)</td> </tr> <tr> <td>Arizona Making-Leight (Note taker)</td> <td></td> </tr> </table>	Angie Brown (Interviewer)	Keith Dodson (Interviewee)	Arizona Making-Leight (Note taker)	
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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: November 16, 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 at 12:30 pm November 16, 2018 on line with Keith Dodson from Westney**
- **I understand that Nalcor held some risk workshop in May of 2012 at their offices in St. John's**
- **Based on the sign in sheets it looks like you attended first session of those workshops.**
 - That's correct
- **Do you know why SNC only participated the first day of workshops?**
 - No
 - They were there for the internal workshop as far as I know

The only day that had SNC folks signed in was first day

- Could have been a session on strategic risk, it's been a while

The title of the session was key risk. Based on conversation with Jack Evans he indicated there was a high level discussed about strategic risk. But that largely the ranges were discussed and decided the Westney office in June at a meeting with Paul Harrison and Jason Kean?

- Yes, well actually they were decided before that, they tried to get us to agree to their concept in that meeting
- But this story goes back way before that meeting
 - We were engaged two years before
 - And the history is we started out looking at Gull Island, not muskrat falls
 - And we Did a risk assessment on Gull island
 - And We based it on our experience in western Canada and the productivity from that, and it was extremely high, I don't know whether it lead to decline of gull island
 - We were engaged again somewhat later and used same rates at the initial effort of muskrat falls. Never had a formal session but
 - Our view of the cost was higher
 - Later they engaged SNC and another estimator and they came up with a much lower estimate

- We had a lot of discussion with SLI or SNC whatever they are about their view of extremely good productivity
- Their view was strong
- They just done Eastmain in Northern Quebec
- And the main projects
- Their view was widely diverted from ours
- They were experts so we didn't question their estimate
- From that point forward
- Whole initial risk estimate or assessment was around their tactical risk assessment and their confidence in that estimate
- There was another discussion later strategic risk maybe on the second day
- Where Our values were significantly higher
- But we only recommend, we don't set the rates
- The rates were settled for then our evaluation
- That all led to the discussion later on. Our recommendation on P value is always at least 75%
- And In this case I was saying p90 because it was likely to end up like where this one has with some type of change in government and government investigation later down the road. I've been in a lot of these public projects and it almost always happens
- We have history of being much higher, we gave that up when SLI came in
- And Accepted local expertise and that was the conditions of that risk assessment

Help me understand. In discussion SNC would be higher numbers, who decides to accept the lower number

- Just production rates
- Well Nalcor and SLI, they were all in there
- They - No one wanted to move the estimate
- I'm Sure Nalcor wanted to believe it, based on discussions and SLI was very firm that they could do it
- So they didn't range as much
- I mean - And that same confidence carried over into the strategic risk discussion where we would have a political risk and we would have had a much higher productivity risk.
- And they were \$2 billion higher
- But we don't make decisions we just make our view of the world
- The World has been changing on productivity since 2000
- We have seen it in south America, middle east, we saw it significantly in western Canada
- Was not reflected in this estimate
- There are pockets around the world where contractors have "tribes" that work together and exhibit higher productivity, that has happened
- SLI was extremely convinced they could manage this

Aside from the experience SNC and Nalcor brought to the room were there any specific benchmarks you performed on the ranges you selected?

- It was really around St. Romain and the other one, main something, East Main
- They didn't want to hear

- They completely disregarded
- We just worked on some, they were Mining dams and dam work in western Canada and
- They concluded that was Contractors fault not issues or force
- Basically the Benchmarks were the two hydro Quebec projects
- But they were quite Different dams
- They weren't structural concrete dams
- So this one, this is more like a concrete building than it is a traditional dam
- A lot of forming and difficult angles all things that run the cost up
- SLI was convinced they knew what they were doing

Are you saying the two projects used to benchmark weren't comparable because they weren't structural concrete structures?

- Well that's not 100%, but yes
- There should have been some indication in some of the rates and things
- That's what they were benchmarked on

How would benchmark usually work? What is best practice?

- Every project has different conditions and different circumstances
- We were you know, like I say working in western Canada at that time the construction owners of Alberta had just done a benchmarking study with the construction industry institute
- And the rates in that study were like 3 times what SLI was using. We brought that up, but once again it was discounted as not being applicable
- And I can't argue with, they showed us results from those two projects and I couldn't argue with it they are the experts, end of story from my perspective
- I told them on strategic side might not happen
- They were convinced at that time based on SLI's belief that it would happen

Would you have any notes from meetings that you raised these concerns?

- I haven't been able to find any records
- We moved office
- We moved storage systems three times
- I couldn't find much

So just your recollections?

- Yeah
- I don't know what Jack said but he heard it as we had discussions

Can you tell me more about meetings that you would have had with Jason and Paul at the Westney offices in Houston? They came to finalize the range and make final decisions on tactical and strategic risk assessment. Is that accurate?

- I think the meeting was more about the time risk model
- We had always-we never did- unlike the cost side
- SLI did not get involved much on schedule side
- Our time risk model didn't support their desires
- We always came up with low probability of schedule being met
- Meeting I remember was more much around that

- There was discussion with Paul on ranging of the estimate and what was the appropriate P value

Can you tell me more?

- The Owners like p50
- but my view of P50 is that you're wrong half the time
- The other problem is
- If you look at history that we've done with risk assessments they Tend to be around p75
- This project had political risk that's not going to be reflected in a p75
- If I was picking my number would have been p90, but I'm not the picker

He told me in June in the meetings there was final review for risk ranges for tactical risk assessment and they finalized strategic risk with you separately

- I don't even think Paul was in there
- Maybe he was but
- he discussion was really between Jason, the SLI guy, and two consultants they had
- And like I said it was all around what have been achieved on those two projects
- I don't know exactly what Jack said but fine tuning was very very small percentage changes
- There wasn't a whole lot of changes

Are you referring to meeting in St. Johns in May?

- Yes, they had one SLI person who I think was on Saint Romaine
- and an estimator from Toronto

Jason and Paul went to Houston and met with you at your office, were there any discussions around the ranges for strategic risk?

- Well there was still the argument then, they called me a pessimist
- I was always higher in strategic risk than what they had
- And they were Always campaigning for us to agree
- Which we never did
- But that happens on every risk assessment we do, it's not unusual at all
- Owners want to believe it
- That's what they Hire us for, an unbiased view
- Unbiased view was the closer you are getting to P50, the more chance you have of being half wrong.

You had concerns with p factors and ranges for things like productivity?

- Yeah
- Now The world is going crazy on productivity
- We were saying twice history in Western Canada
- Twice history in south America
- Worse than that middle east
- We had a lot of discussions about this, why this might be different, the oil sands coming down
- people are coming home
- Things have changed
- The world is not the same

Thank you so much. It wasn't clear where Westney felt ranges landed

- We weren't involved
- But When they got confirming bids, I really shut up

Can you explain

- They got 2 bids that agreed with the estimate
- And They got guarantees
- I never looked at Astaldi's or Acom's balance sheet to see if they could stand it
- But They were confirming the estimate
- I would have probably been More inclined to take high bid
- I was not involved

Why?

- It was Kewit and I felt like Kewit knew more what they were doing.
- More reflective of the rates we were seeing

Did you have any discussions with Nalcor about that?

- No, we weren't involved
- When they called us back (18 months or so later) when the problems began to creep out with Astaldi we looked at bids and they were fully confirmed
- Phone conversation when they got the bids, telling me I was wrong that the price was right,
- Bragging going on

Who? Paul and Jason?

- All of the above
- They had good reason I mean
- You get a confirming bid with the level of guarantee they got
- The only issue is the contractors credit's worthiness
- Which, That was a shock to everybody

Who would have been final decision maker on ranges that went in it? Paul or Jason?

- That was Consensus of the team
- They didn't make those decisions, the team all of them were in there
- They all concluded that there wasn't clear any clear leadership on that
- Really Driven by SLI's confidence, they believed very strongly that they could make those rates

When you expressed your different view on what range should be who would have said we are going with this number?

- It was totally a Team decision
- The only discussion we ever had was what was the appropriate P value on the strategic risk

Do you know who's decision that was

- I don't know for sure
- I suspect it was Pauls
- But he didn't tend to do things in vacuum
- I don't know how it was discussed

- if he believed the data they got from SLI I can see how they make their decision
- I can see how they made their decision
- I wasn't going to argue with them because they've been there

Who from SLI?

- Project controls manager
- No I don't know specifically
- But it Was a very strong census

Want to understand how mitigation plans are treated. When does mitigation reduce the cost exposure for the project? When plan developed or succeeding?

- Only when its actually implemented

From reviewing docs range that the ranges that went in was mitigated cost exposure. Is that correct?

- Yes
- That is an exercise that we go through sometimes you know when take the risk register
- You look at the key risk and establish values on the mitigation

Is that the normal best practice process?

- It's really Client preference
- Depends on you know if you're working with financial groups
- They rarely do that
- Working with owners
- They do it a lot

Is there one method Westley would recommend?

- We don't have any problems with working with the mitigated values
- We don't have to implement them
- Implementation is the hard part
- We're always very clear on that
- This is simply math, no value unless you can really implement it

You wouldn't be responsible for reviewing those plans or if they could be mitigated. Did you look at any of that?

- Yeah we would have discussed it
- What they had to do and how they had to do it

Is there any consideration on how likely mitigation plan is to be successful?

- The Values that are inputs (P5-P95) there's consideration given to those values that sets the outcome
- There was a ranging effort for mitigations

We have been hearing the cost of the risk is should be included in budget and once you start mitigation would come out of contingency. I'm hearing mitigation doesn't occur until plan is implemented and the plan is successful. Normally the cost should include the full cost of the risk. Your saying up to client?

- Yes, it's totally up to client
- I mean I think what you're describing is what I would recommend to the client, don't count it until you've done it
- But it's all over the map in terms of what they do. Particularly the private clients

- This client had more exposure because it was semi-public

Your preference is do unmitigated cost and see what happens. But there wouldn't be a best practice for either way

- Yeah I mean Our standard recommendation is don't count till you've done it
- Stay in the P75 range for financial reasons
- For public company more inclined to P90 range
- It's the clients decision
- We only advise

Were you ever asked to do something that made you uncomfortable

- Not that I ever accepted

Ok but so you were asked?

- Well They wanted us to say picking P50 was a good thing and we never would say it

Is that the only thing?

- That I remember
- The rest, lot of discussion
- Over achievable rates
- It was very clear Astaldi was never going to make the rates they were professing they could make
- We never agreed, we agreed to disagree

You mean when you came in 18 month after?

- Right

You aren't involved in bid

- No, we were out after the risk assessment
- Had 2 confirming bids that surprised me

Anything else you want to share?

- No
- Pretty typical
- Team assembled by people available in Newfoundland
- More focus as a public company
- Don't think private company would have same team but that's the way it is
- We did have a risk for team not having applicable experience

Explain?

- Well they had 2 or 3 people who worked on dams and the rest on oil and gas
- Once they brought in SNC who built more dams than anybody else in Canada
- They had the right resource to offset the risk
- Unfortunate that SLI had not picked up what was going on in the rest of Canada and the world

When you said the team was different on this project than on private company what do you mean?

- Private companies don't build things unless they have built one before, generally

May have had more experienced team?

- Yeah

- Their drive was purely economic
- Does happen in private sector once and awhile
- In private sector the team influenced by the one who built the last version
- You look at airplane builders, when they build the first one they go wildly off the budget
- Once they build the first one, they just follow the model
- 1st is construction job
- 2nd is manufacturing effort

Their driver purely economic do you mean how they staff team?

- Probably economics, but more on their ability to do project
- It was a political desire to do the project
- They found the best resources they could locally

So you mean not the best resources for job but best resources locally

- I don't know about the budgets, but for the team
- Is it the best thing to do
- Probably not
- Then they tried to solve the problem by hiring their experienced neighbour next door

Were you aware SNC role changed?

- Yes
- But When we were talking when all of this was done in 2012 they were EPCM
- They were responsible
- We didn't talk a lot about what kind of skin they had in the game
- But I assume they had some

Does the change in SNC role impact the ability of Nalcor team to mitigate risk on the owner team not having sufficient experience

- I don't know details
- We weren't really involved with that happened
- We were there, they were EPCM
- Came back 18 months later and their role had been reduced

In your subsequent risk assessment would change in role increase the risk?

- When Astaldi failed, yes
- When their Production plan –
- 40,000 cubic metres in a month is not going to happen

Is that a general statement or specific to this project

- Acon did the same thing
- The had 2 confirming bids
- I didn't hear those numbers from SLI team
- I don't know if Acon and Astaldi could have gotten those numbers they could have made the schedule
- SLI numbers at the time of the bid were risky

That's all my questions. Anything else?

- No
- It was a long time ago

Thank you. Is it ok to reach out again?

- Yes

Thank you

Bye: end 1:05