

MFI – Interview Summary		
Date:	September 13, 2018	
Location:	LCP – Boardroom – Happy Valley-Goose Bay, NL	
Attendees:	David Malamed (Interviewer) Steve Power (Interviewer) Seth Snyder (Interviewer) Laura Miller (Note taker)	Stan Marshall (Interviewee) Thomas Kendell (Legal Counsel – McInnes Cooper) Peter Hickman (In-house Legal Counsel – Nalcor)

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.

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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 4:00 pm**
- *Legal Counsel – questioned timing of summaries and process. Commercially sensitive info on contractors and process for summaries and report to go to legal for commercial sensitivity first.*
- **Can you tell me a bit about your time with Nalcor and how you joined?**
 - Circumstances generally are that in April 2016, I was retired, I was contacted by Premier, general discussion about him wanting help
 - I Indicated I was quite happy, thank you very much, I wasn’t looking for work, I was not interested in joining board or being chair
 - He asked me to come see him toward latter part of April, I was in Belize at the time
 - I did
 - Can’t remember the exact date but it was the week of the announcement, so I went to see the Premier in the morning, pursuing his requests
 - Had general discussion and by Thursday morning I was CEO of Nalcor
 - Bit of a blur
 - But generally as I recall when I left on Monday morning I said to him you don’t have a governance problem you have a leadership problem
 - If I can be helpful to you beyond that sometime, give me a call
 - He called me that night as I recall

- Said basically unless you can recommend somebody else, you should do it
- At which point I said I can't do it , possibly start before June because of my other commitments
- He said fine
- Wednesday phones me again and said press conference the next morning and by the way, we have to start right away
- Reminded him I had other commitments but I will do what I can for the month of May and get into it in June
- After the announcement on the Thursday morning I went over to the Nalcor offices, called in the executive, told him I would be gone for two weeks but when I got back I wanted summaries on different topics
- There were primarily topics that had been had in the media and that's how it evolved
- So 2 weeks later I was back, got some briefings
- Determined that I needed to give an update very quickly, there was a big difference where I saw the project was and where it was in the public eye
- That led to my update the end of June, statement as to where it was
- Basically just going by the documents that were there
- I had made inquiries of getting updates, particularly of SNC-Lavalin
- Clear nothing could be done in short term so I just went with what I had, my own judgement
- The biggest discrepancy between there and 2017 related to Astaldi, sort of indicated at that point in time, 2016, there was some money in there for Astaldi but not the full amount because I couldn't be any more open with that because I was in negotiations with them
- Recollection \$750 million dollars extra, \$250 million beyond that at the end of the day, that's my recollection
- It was all documented, that's generally how it evolved
- **Maybe you could tell me a bit more about your first impression once you had those summaries. What you learned?**
- Part of it, I wasn't naive to what happened, I am from Newfoundland, in the industry, so I knew what was going on at the time
- Current Premier had come to see me and indicated the opposition because I had always said to people anyone can come talk to me, my door is always open
- Current Premier, who was now the leader of the opposition, asked to come to see me
- He did, and I told him where it was, that the costs were low, that it should never have been built
- He and I talk about it even today, because he asked me about – when I told him about the costs, I think I told him it probably costs 10-12 billion dollars, I was eye balling it, no more precise than that
- He said well is it economic?
- I said no its not
- He said - how do you know that?
- If someone told me they'd build transmission line to the moon, it's not economic, they won't be doing any study's about it
- The other thing I told him is look, where we are didn't matter that whatever the question was, the answer was going to be Muskrat Falls
- Muskrat Falls was mandated, it was going to be built, it didn't matter what anybody said about it

- **Who mandated it?**

- I don't know, before my time
- I can't conceive it would be a regular utility decision
- That's my own opinion
- Looking at where I'm at now, the government constantly harasses the management team
- That's the only way to describe it
- You got the ministers phoning different staff you've got bureaucrats phoning senior staff
- I tried to restrict the flow
- Be careful, you're getting information that I don't know about
- And then your phoning me with it
- I said look, these people do not present the view of Nalcor
- You're asking me the question, you're trying to give your own honest opinion, but it's not the corporate view
- I tried to, I had some success, trying to get this to flow through the proper channels, but it's unrelenting
- I can't conceive that it was much different in my predecessors time either
- My crown corporations, I've always been in the private sector, but I'm always in crown corporations, always
- I see the CEOs come in with all this aspirations of running the companies in independently
- But the political always interferes at the end of the day
- If you ask me who made the decision, I don't know
- I mean look at it the size of the project relative to the size of the province
- You had a statement of energy of policy
- My opinion – no question is a policy decision, as it should be
- If you're going to make something of this stature to the province
- It rightfully is a public policy decision
- My only problem with it, is that they are trying to put in the guys in the utility decision
- It had to be a public policy decision, to take all this debt, to do what they did
- That's my view, my opinion

- **You said it never should have been built, why do you say that?**

- It never matched the needs of province to start with
- Replacing thermal plant with a hydro plant
- The risk and the size of the project won't fit the economy
- The risk of making projections about 40 years
- The one thing I know about your projections going to 40 years, they are going to be wrong
- So the risk is horrendous
- The big thing is, you have to understand the difference between capacity and energy
- Holyrood thermal plant, yes its 500Mw roughly, producing roughly 1.5Twh of energy a year because it only operates in peak

- Hydro plants typically are running all the time usually a lot more energy
- You look at Muskrat Falls under projections your showing here
- 824 Mwh which is close to 5 Twh hours, so it's a lot more energy than the island could use
- It wasn't good match while it was happening
- Then you have the issue what are you doing with extra energy?
- So then it leads to other things
- So that's one issue with it
- The other thing and it goes back almost 20 years
- You check telegram in 1998 where I had made statement in another context that any attempt to bring power in from Labrador would double electricity rates
- Which I was almost fired, by the current premier
- Could he even fire me but...
- Newfoundland Power had to issue a statement saying that they dissociate themselves from my remarks, because it was politically dynamite
- There was just no appreciation that the cost of transmission
- You look at this project today
- Try to bring some insight into it when I came along, if you just look at the cost of producing Muskrat Falls roughly it's going to produce power 7 cents kwh. Good for any hydro plant today
- I see it's going to be more expensive starting that, even with their own estimates
- Keeyask Manitoba is going to be much more expensive and I had some rough numbers somewhere
- Building Muskrat Falls, even with cost overruns, is built at an attractive cost
- I had said publically and I believe that if we were starting today with perfect knowledge, the contractors with perfect knowledge, that you couldn't build for less
- What they are forgetting is this is primarily a transmission project
- Newfoundland consumer has to bear the cost, not only of the transmission from the Upper Churchill to Soldiers Pond, but from the west coast of Newfoundland to Cape Breton
- That alone is 1.5 Billion
- So you add up the numbers, its primarily a transmission project and no one looks at it that way
- Transmission is expensive
- It was expensive in 1998 when they talked about bringing power from the island
- So nobody should be surprised
- I don't know
- **You refer to project as a boondoggle, can you tell me what you mean by that?**
- If you look at the definition of boondoggle on Wikipedia, my quote is referenced, I guess you are in it when you are in the definition of the word
- A boondoggle is a big public project that typically has cost overruns and is highly criticized
- So it qualifies, what I just said in the quote is that it was a boondoggle and my task at the end of the day was to make sure it wasn't quite too much of a boondoggle

- They called the Opera House a boondoggle initially and that over the years became something different
- I'm not saying at all that if you made a mistake of building this thing is it never going to come onside
- People say well it doesn't matter, in a few years it's going to a great project
- Look, It's a great project in terms of engineering feat and the work
- But when your building something, let me be clear about this, that never should have been built, chances are that it should never have been built
- Here's another example, if you want a vehicle to go to work and you go out and buy a Lamborghini and drive it for 10 years
- yeah you got to work all right but the fact is it will never come onside, you bought a Lamborghini, you could have bought a Chev
- The other part of the problem is this, we know that in 2041 we have access to upper Churchill, and some of these Projections just ignored that and went on for another 30 years
- If I had been running Nalcor at the time, ran as a utility, there's no way it would have gotten built
- Risks too high, the assumptions are, well like I say
- When someone comes along with a projection for 40 years, one thing I know is it is wrong
- And one of the things I always preach to my business's is this
- If you got two options: one on a long term projections shows a bit cheaper than the short one
- But the Short one may be a little bit more expensive but it reduces the risk, gives you flexibility
- The flexibility respond, we know things will change, load will change
- Go with the one that gives you more flexibility, you have off-ramps
- Because once your committed to a major project, with no off-ramps, your committed
- Here we've seen for example that load forecast changed dramatically, ok lift, fort, trust, changed dramatically, especially if you're going with 40 years
- Don't bet on one scenario
- That's what they did
- **As the new CEO you start focusing on what aspects of muskrat? What did you do first?**
- What did I focus on?
- Well, I think I use an example with you that someone once said to me it's like taking a man to the Titanic after it hit the iceberg, and that's what it's like
- You come into a situation which is in chaos
- No one would see as much as I saw
- You take for this, the CEO has just been replaced
- The government has shown that they have no confidence, only the CEO and whole management team
- Dramatic cost overruns
- Some major issues day in and day out
- Including for example the Biggest one would be Astaldi
- Astaldi's contract was reimbursable for labour up to certain max
- By April of 2016 you were looking at the cap being reached in July

- So it's no question that after that, Astaldi wouldn't have the cash flow to carry on
- It was immediate
- The company had already pushed the province, the owners, about Initial requirements for cash and money
- And the provincial government said no
- Where is this going to go?
- Was clear more money is required, the government said no
- The major contractors are hitting wall
- CEO has been replaced, there's no confidence to the management team
- The thing is at least two years late
- So, everybody is standing around waiting for next shoe to drop
- That's overstating it a bit, but that's where it was
- So there was an immediate situation
- There was a whole slew of things that had to be done
- Starting with restructuring the management team
- Bring focus to the project
- We had to address the Astaldi situation
- We had to pitch the province and ultimately the federal government that we had to get more money
- so those were the priorities that I saw
- So I made some immediate changes, which again were sort of, you look at the public interviews they were sort of taken as being optics only but they were the keys to our ultimate success, lets refocus this
- I know don't know what direct reports my predecessor had
- But I wanted 5 key people that I could work with, share the load, give them the authority, and to carve it our so I could help each one individually
- Starting with Gilbert, Gilbert was bearing the brunt of it and he was doing it all
- No human could do what he was being mandated to do
- So I took Gilbert and said Gilbert you're responsible for generation
- I got John McIssac who had been running hydro and had experience with project management, talked him into going into a new division of power supply
- I recruited Jim Haynes from retirement to run hydro
- I took Jim Keating would just run oil and gas and get talked on as responsibility of administration including the aboriginal file, public relations
- So I took over a lot of the public relations, government relations primarily
- got my key people there and said here's what I want you to do
- If you have a problem come to me
- All other VPs report to you
- So that became fairly effective
- And I can come back to some of the other reasons I did that

- In terms of Derrick Sturge, I said Derrick how much have you been involved in actual project?
- He said not that much
- I was getting sense project team over on Torbay road was a bit of a problem themselves
- They had been used to going around Gilbert and reporting directly to my predecessor
- So I had to have an exchange with him and I told him that hence forth he report to Gilbert
- My door was always open for concerns, but he should recognize that Gilbert was his boss and not me
- Told Gilbert exactly what I expect of him
- Told all of them what I expect of them
- So, the other part of what I did was that when I took the transmission away from the project team, part of my thinking was
- Two fold, one it appeared that we could complete the transmission system two years ahead of generation
- But two years is not a long time, transmission is very complex and that we should also be thinking at that point in time that if transitioning to operations
- When AJ took the transmission site off and gave it to John
- I also said, John you are going to be the future operator of all these assets
- So start with transmission, let's bring those into operation
- But you're also going to be responsible for generation
- So you're check and balance on the generation side as well
- You have to treat those assets as being built, you will operate them eventually
- So the checks and balances there
- I was very concerned that there wasn't appreciation of complexity of transmission and the need to immediately beef it up, and look at the problems that might evolve before Muskrat came on stream
- Also, I said it's an opportunity here
- I asked their electrical engineer, asked what are chances of brining in power from Upper Churchill, what do we need in terms of additional equipment
- Because it had never been designed by purpose
- They came back and said we need basically a piece of equipment for Muskrat, a reactor, for about 10 million bucks
- So I said go and order it now
- We're going to start bringing in power from Upper Churchill
- Economically it could be a great benefit to the province become a vehicle for facilitating transmission at higher rates
- Because rates were coming
- One of the statements I made, we would what we can to mitigate rates but there's nothing we can do to change big picture
- If you look at the original estimates, original load forecast, rates were going to go up around 15 or 16 cents, from about 10 or 12
- If you just change load forecast that would have brought it up another 2 cents
- So rates were going to go up from around 10-11 cents up to 16, 17, 18 cents

- Even forget the cost overruns,
- The other thing I was trying to tell the people is that the problems not the cost overruns, at all
- **What's the problem?**
 - The problem is that the thing should have never been built and there's nothing you can do about that
 - If you look at cost overruns and going back to my order statement they say well, if you were trying to build it today you couldn't build it for any less, so it's not the cost overruns
 - Because in fact what happened, we've had the contractors eat a lot of those costs, there were negotiations
 - Astaldi has had to eat a lot of money and so has GE
 - If they had perfect knowledge would never have quoted the way they quoted
 - Which leads me to the statements that the original estimates were low
 - Quite obvious when I came in 2016 I'm looking at the cost to complete
 - And the cost to complete Astaldi is working with a billion dollars and the original quote was one billion dollars and were supposed to be somewhere close to 50% done
 - Suggest that the original quote was way off
 - Nothing I do is rocket science – it's a simple observation
 - If its roughly half done it's going to take a billion dollars to finish then the original quote was wrong, end of story
- **Going back to the project team for a minute. What did the project team - what did they say about the overruns?**
 - Well you seen some of the statements. During this inquiry
 - It was clear I recommended to the government that No one inquired until its done
 - Because the risk of distracting the management team
 - So it's really strange to have inquiry before its done and finished
 - Another instance that the Government doesn't listen to me
 - When the inquiry came along I said to the project team were going to be open and fair to everybody
 - I come from utility industry, I'm used to living in a goldfish bowl
 - Used to being able to understand and justifying everything I do
 - So being in utility were going to be open and frank and as helpful as we can
 - As part of that, we want you the management team and project team: you tell the commission exactly what you think
 - Make it clear it's your view and not the corporate view, that's all I ask
 - You've seen some of their materials, which is different than how I view it, but it's their honest view
 - And they would see it differently than I would, the project team
 - And they, for example, severely opposed my decision to split the project the way I did, to take transmission out
 - But I think it was the key to our success
 - I don't take any objection to that
 - I'm used to dealing with a lot of very strong people working for me and I encourage them to express their views
 - And I will make the decision, and at the end of the day, thank you for your views, I made my decision

- Now your responsibility is to either to buy in or get off
- I'm prepared to accept either decision
- I'd have no objections do not criticise them at all for expressing a contrary view
- Most of them choose to stay on work, and it's wonderful
- **Astaldi – I understand that there was an assessment done on whether to continue with Astaldi or to stop with Astaldi? Can you tell me about the analysis and when it was done?**
- Couple aspects to it
- Early days, facing this immediate question, where are we going with Astaldi
- So I very quickly trying to get a sense of this
- I had never been involved in a situation where a major contractor walked away from it and you have to replace them
- Part of it was a discussion they had, I was getting calls, I had an Open door policy
- Anybody want to come and talk to me, come and talk to me, I got calls from a lot of people and a lot of visits from people
- Including some major contractors who had an interested in getting involved
- I also Talked to engineers at Westney, some of the very senior engineers that work for the US core of engineers and what not
- I said look, Has anyone ever faced situation where had to replace major contractor
- And what do you think
- Unanimously, even the people like CEO of Acon I think it was said look if you can get Astaldi to perform, that is the best way to go
- Westney, if you had to replace them you might as well step down for a year
- Because a new contractor coming in would have to assess the work that had been done, review the drawings, and get access to all the construction documentation
- So it was a worst case scenario, that was universally
- When I get all the contractors, CEOs telling me
- I had the project team do an analysis, lets estimate how much it would cost to keep Astaldi to finish the work
- Let's get an estimate to see how much it would cost to get another contractor to finish the work
- Let's, and ill kind of have to come back to this statement, but let's see how much pain Astaldi can take without violating its covenants
- No point trying to extract from Astaldi that which they cannot bear, they would simply just go bankrupt
- So, that's the analysis we did, and I think that's in the files
- So that's where the negotiation became with Astaldi
- The approach I took with the CEO, when we started the negotiations with Astaldi, I had that in my back pocket
- It was quite clear that the best thing to do if we could get Astaldi to do the work was to carry on
- We did the estimate, this is where it's strictly sensitive, they could probably bear about 200 million dollars I think it was, without violating their covenants
- So that's probably the amount of pain I could expect from them
- When we start negotiations with Astaldi it was difficult, very difficult for a number of reasons

- First of all there was language problems
- You had cultural problems and I understood underlying legal perspective
- I'm not an expert in this area at all, but this is what I led to believe contractors from France, Italy, that part of the world, have a different view of contract than in North America for example
- When it started off their position was look, yes we are facing this wall
- We can't possibly complete it under these terms
- They had prepared a document claiming they are entitled to about \$750 million dollars
- Which I took a bit of fluff, you know some of its going to be valid there's no question of that
- So they wanted to sit down, renegotiate the contract then and there and come up with a reasonable margin for them and what not
- And they wanted done right now before July
- My view, which I expressed to them, was that no, it took you about three years to dig this hole and it's probably going to take about three years to dig yourself out of it
- So all I'm prepared is to look at a step by step process to work through this
- That's the first principal I had, step by step approach
- I said second principal is this you guys screwed up badly in the beginning, you're suffering pain but I am suffering pain, the people of the province are suffering pain
- Therefore all we are going to talk about sharing the pain
- We're not talking about a contract for you to re-establish your margins at all, so its sharing the pain
- That was difficult and took some time
- In fact at one point I walked out of the room and told him were not going to get there
- Over time they came around
- What we agreed to do then, July was that we would resolve something for that year, 2016
- I was very keen and concerned that we would lose the construction year of 2016
- May-June very seasonal up here, things were at a critical stage
- Could I keep them on for 2016, first step what could I do for 2016
- Eventually we had an interim agreement
- That agreement basically incorporated I would provide them with extra money outside of their contract
- I was not going to pay them for labour like under the old terms
- Any additional funds would be tied into completing certain blocks of work in time
- So that was the principal in which we did
- And from a little bit of a slow start it started to gain momentum and do well
- And then as we got into late fall we had some serious problems with occupation of the camp by the aboriginal groups
- And this was almost kind of catastrophic for us
- It was occupation of the camp, as we were going into the winter we were exposed to possible flooding of the site
- When it happened the RCMP wouldn't respond

- They said they wouldn't come in and remove people
- We had legal counsel to see what we could do, we had all that on the go
- We tried to ration the work, the workers, we were running out of all kinds of supplies
- The buyers couldn't come in
- The key ingredient was diesel fuel we were running out of diesel fuel for machines
- At that point in time we were trying to complete the cofferdam for the north dam
- Because I was very concerned that we wouldn't get a driver or a bed coming in the next production season, which we had to get
- So we gave priority to cofferdam until we ran out of fuel
- Looked at everything even flying fuel in
- So we lost in total
- There was a concern of violence on the site because we were shutting down, some of the workers were getting upset with the demonstrations
- People starting to leave and fly home
- Things were just disintegrating
- And so we lost 4-6 weeks depending on the work, but we lost momentum
- And now we are exposed to the winter, so now we were scrambling
- Eventually got control back, the site back
- Started to get things going again
- Had to give priority to what we are going to do to protect the site
- Including extra protection, extra cofferdams so they wouldn't get backing up of the river
- So we did what we could, the cofferdam was leaking which is not unusual
- So we had to work through the winter to grout that
- Again to protect the site and to get ready to start the next season
- The piece were finding All kinds of pressure from government
- But we did it
- In December we had to talk to Astaldi again, we had lost momentum
- But I could see that we were, we had the seeds of how to proceed here
- Last thing I did in December 2016 was to sign a contract take us to 2017, again a step by step approach
- 2017 was a tremendous year for us, Astaldi performed extremely well
- By this time, of course as you expect, other contractors were backing out and Andritz had filed lawsuit for example
- Everybody was coming behind Astadi
- We had to give priority to Astaldi
- We had to give priority to raising money
- We had to give priority to controlling the camp and getting into the winter

- So as we went into 2017 and then we had started working together, right now I'm ignoring the transmission part of it
- So in the spring of 2017 we were facing the lawsuit from Andritz
- Negotiations there were going poorly
- So I arranged to meet with the CEO in Europe, and that should be on file, we meet in the UK
- For the first two hours I listened to the CEO shout and scream at me in English and German
- At the end of which I said to him look, ok,
- We got to go forward here
- You got machines half made the only way anybody is going to get paid here is if we find a way forward
- And we agreed to do two things
- Everything in the past have team resolve past issues
- But we also have to define how were going to go forward so possible issues don't escalate
- So after a little bit of a slow start we got them on track and resolved their issues
- They came in late in the year and they have been performing reasonably as well
- Need to understand between extraordinary events and normal construction events that you expect day to day anyway
- So it's always tensions there's always disputes, but they are normal
- But these were the big events
- There claiming they are two years late
- As we settled these agreements what we tried to do was cut it off
- As part of the agreements to pay them anything else we say there are no claims going back
- So we were de-risking at the same time as we were defining how we would go forward
- so for the most part we did that
- both in Astaldi and in Andritz
- so on the transmission side, concurrent with all this
- Dealing with John, he's running a deal with Valard, and on the transmission side where they had been, they were looking at the project being two years late, they are saying why rush, you owe us money, it was just relinquishing
- As part of strategy I had outlined earlier, I said to John get this thing on track, let's get this thing finished, escalated, let's get it done
- We are not appreciating the risks involved, or the need to get transmission in operation
- Get this going
- Start to make progress with contractors there and eventually entered agreement with Valard
- Typical settlement
- One frustrating thing I had there involved Jason Kean
- When I gave my update in June 2016 I went to all her people and said I fucked them all
- That's where we were and where I expected them
- I said tell me all the bad news

- I said you won't be remembered for how you started, but you want a strong finish
- So any bad news, I want to hear it
- When I was getting ready for my update in 2017, I discovered some people had been sitting on claims for over one hundred million dollars that I thought were not in dispute at all, including Valard.
- And I had met with these CEOs and managers and what not and I looked at it and said why hasn't this been paid?
- It's been documented its logged properly, let's do it
- So that became part of the settlement
- Asked John McIsaac to talk to Jason to find out what the hell has gone on here and why has this happened
- He came back and said he had been speaking with Jason and he just resigned
- So I said ok, Jason's resigned, fair enough, end of story
- Jason came back this year and wanted to see me and offer an explanation, and I heard him, and he offered an explanation, I said Jason thank you very much, it's irrelevant to me, it's the past, doesn't change anything, clearly you had a dispute with my senior management team, I don't want you doing any work for me that involves your opinion
- If Gilbert wants to engage you, from a factual historical matter, he's free to do so
- I gave instructions to John and Gilbert that you are not to be involved in anything, when I ask for an independent assessment and this came about because of Westney
- He had been doing work for Westney and I didn't know about it
- I didn't care that he worked for Westney, as long as he didn't work on my projects and I came to discover he had done some work on that, I was a bit upset
- I gave him instructions that this was not to happen again, to Gilbert, and Gilbert understood
- So when Jason came to see me this year and offer an explanation I said Jason look, it doesn't matter if you were right or wrong
- It happened
- Here's my version of what happened, if you're interested
- I'm not out to get you or anybody else, it's irrelevant to me
- If you have an explanation fine I'll take it
- I raise that because there are instances like that, where I felt that this should not have happened but it's taken care of, we drive on
- Other than that, which resulted in the other thing
- Valard did an excellent job in 2017
- We had our issues again, but we made up for them, and we got it finished
- We settled it, it's done
- **What was it that Jason explained to you, what was his reasoning?**
- He said he felt he thought he was entitled to them
- There in writing if you want to see it, I don't think I even give it a good read
- There's nothing surprising in it, just saying that he felt that they shouldn't be getting paid
- Fine, ok, but as far as I'm concerned if the thing is logged property your entitled to it

- I'm not going to deny payment to a contractor just to keep the cost low if they're entitled to it
- Compensation depends on soil conditions, and the type of structure and everything else and the fact that it had been logged properly, the contractors were entitled to it, pay them
- I think that the sense I got was that with the rising escalating cost
- Jason's been involved in some of the estimates from my understanding, again I don't know, but from my understanding if costs were rising then they get shy about reporting further increases
- That may be the explanation, I don't know
- Irrelevant to me
- **What is your understanding of how Astaldi was originally selected?**
 - The bids were there
 - I asked to look at the original bids
 - Astaldi was the lower bidder
 - Another Italian firm was just above them
 - There were two much higher bids from North American contractors, around the two billion dollar mark
 - That again reinforced my view that this is how the European firms operate
 - The Europeans go in, low ball a bid, get the work, and then they try to extract it
 - Just to reinforce my view that bids are probably low at the start
 - But they were the lowest bidder, from my understanding that they had been assessed
 - They were a reputable firm
 - On surface, you would say ok, as long as you recognize that the Italians and the southern Europeans have a different way of doing business, you know the struggle
 - Why take the lowest bidder, why not take the other ones?
- **Do you know about Astaldi's experience with mega projects prior to Muskrat?**
 - Yes they've done work around the globe
 - They are one of the worlds biggest firms
 - Of course they haven't done work in Canada, bit of lack of experience there
 - But they did work in Chili, building hydro plants in Chili
 - You've met Herasamo
 - has worked in china, most of his work has been in South America and Chili and hydro projects
 - But they lacked experience in this part of the world, there's no question about that
- **Do you know if they had any experience in terms of harsh winter weather conditions?**
 - I would assume some of the conditions they faced in Chili would be cold, up in the Andes, but I'm not sure what it is
 - They were not familiar with this environment to say the least
- **You said that Astaldi's contract was changed to more of a percentage completion than a time incurred. Is that?**
 - Yes it was tied into, we recognized we had to pay them money and we also recognized we had to pay them for performance was the best way to get out of this

- You look at the engineers broke down to different blocks, different timing, on the critical path and assess the amount of money they put in there
- That's the way we proceeded
- No longer going to get paid for input but for the output
- **You've said that Astaldi in 2017 did fantastic**
- Yes
- **What changed with them**
- The good part of it I subscribe to their change of supervision
- Irasmo Essano current construction project manager
- Very experienced individual
- Had been in South America building many plans
- Came here just before I did
- I attribute a lot of the improvement to him
- I think he is just a very experienced individual, committed to doing a good job
- And certainly I had gotten more in my time
- If anything, people above him slow him down and get in his way
- So Canadian project people with more responsibility
- Irasmo knows his stuff
- No one could do it better than him
- He has demonstrated that
- Even through their financial difficulties now
- When they are strained financially
- I give him assurances that he will be paid for the work, any way I can help
- I shouldn't say assurance paid for the work
- As long as you perform I will do everything in my power to make sure you're compensated fairly
- **Was there any change in terms of staffing management of Astaldi?**
- Yes, there had been a lot of other changes, we put in people with more experience in Newfoundland environment in there to help them out, they were receptive to that
- This started before my time, I'm not taking credit for it in any way
- But I have excellent relations with Irasmo and he's been open to any suggestions we've had
- **Do you know if you are still getting reports from Astaldi about hours incurred?**
- Everything is documented and logged, but we pay them according to these interim agreements we have
- **Has anyone on the team compared the hours that they were spending?**
- I haven't
- I'm sure that people do that, were always trying to improve the efficiency and help them so I'm sure that's being done
- But I don't do that myself

- I monitor the contract and blocks of completion
- **The other contract that you spoke about was the Valard contract – and there was settlement of the agreement in 2017?**
- Finished by end of 2017, finalized
- **Can you tell me a bit about the settlement?**
- Part of it was their frustration, payment that they felt were due but hadn't been paid to them
- That became a large part for them, I can't remember the details
- But I said look, were going to make those payments as part of the settlement
- That became a real ice breaker for them and became a key part of getting resolved
- **Original contract value was also increased, is that correct?**
- Yes, don't forget a lot of it was unit contracts
- Like I said depends on the soil conditions was a typical sort of thing
- I can't distinguish between how much was there and how much for other work
- Large part of it like I say was because of recognizing the soil conditions and the types of structures
- Entitled to additional compensation
- I don't know off hand, lot on the go at the time
- **What was the reason for the settlement?**
- I thought there were definitely amounts they were entitled to that we were holding back on and disputing
- The other thing was I wanted to get the thing done, I want it escalated resolved
- Prepared to pay a bit more to get it finished
- Part of it to was recognizing that we can use this line for economic value and that there's a risk there that if we didn't have this transmission line ready when Muskrat came on stream there would be other loss's
- **You mentioned Jason Kean's name before, I do understand that he left or resigned, did you have any concerns with his performance before he left?**
- The way I operation I charge my key people their people report to them
- Some frustrations expressed by John McIssac about Jason
- He had been coming over to John's areas, I remember John expressed some frustration with him
- It wasn't a situation like John go and fire him
- I said John, I want an explanation for why this amount was left out last year
- When he came back reported that Jason resigned
- And Jason when he came to see me this year acknowledged that he resigned
- He told me it was not because of the dispute
- Hadn't offered explanation, he had been confronted about the issue, asked about the issue
- He couldn't get along with John and also his direct report which escapes me but it's there somewhere
- He couldn't work with him anymore, just fed up and left
- When a guy resigned, he resigns, that's the end of it

- I had the view that this seemed to be money that should have been paid, but clearly, and I put it in part of the package
- John was of same view
- While I have open door policy, my view is that John McLissac or Gilbert Bennet people that report to him report to him
- Unless they're going to come to me and say they spoke to their supervisor and the supervisor is not listening or something like that, I direct them back
- I say if you have an issue, go to talk to Gilbert, go talk to John
- I'm holding those folks accountable, I can't tell them what to do, I hold them accountable
- **Did you have any concerns about anyone else on the project team?**
- None of the major people
- At the beginning, you have to realize, I'm going in there not knowing anybody, I'm going in there by myself, cold
- They don't know me I don't know them
- The real question who do I trust who do I keep who do I don't
- So I spoke to them all, I set up group meetings, not only with the executives but others
- Part of the discussion was, look, right now I'm focusing going forward
- If you tell me you're not prepared to go forward with me fine, let me know now
- If you're going to go forward with me I expect performance
- And until you demonstrate otherwise you have my confidence and my support
- Generally speaking there was no major issues
- I remember that Jason on the first session Jason spoke up, that's the first time I met him, and said I don't know why were here, my bags are packed I'm leaving
- I said if you're going to leave, leave
- I'm prepared to give you a chance you should focus on what I'm asking you to do
- And he did
- That's the first time I met him he spoke out
- I'm not judgmental of Jason, he resigned
- Issue in my mind, didn't matter its historical, I'm focusing on going forward
- **Idea to split transmission with generation – has it impacted cost overruns at all?**
- No, I think it was the key to our success
- When I did that I faced a lot of opposition from Paul Harrington
- Because Paul was doing the whole thing. He wrote the memos and came to see me
- That's when I had to said to him, Paul get on or get off
- **His memos and letters were about the split?**
- Yeah
- **And what were his thoughts?**
- He told us it's the wrong thing to do

- It's going to cost loss of focus and it's been a record year
- My overall thing was I was concerned that project team was power of themselves
- I was concerned of people being overburdened by this
- What I want to do it bring focus on work to be done and give help to the right people, and its worked
- The ultimate test in my view is that it worked
- **From some of the interviews that we've done, we've heard that the mandate was changed from being cost driven to just get it done?**
- I express it another way
- People are looking at the actual out of pocket capital cost and not worried about time, and I said time is money
- I said they are not separate things
- **Explain that to me**
- Well, If you're just focused on capital cost, you take as long as you want without realising the time value of money
- But time is money
- I tried to simplify it for everybody and said look you have a \$10B project roughly 6.3% - that means that financing costs for interest is a million dollars a day
- Look at opportunity costs
- Right now we are spilling water over there and it's not generating anything
- Rough rule of thumb every day for me is worth one to two million dollars, delay, just get the goddamn thing done
- Not only am I prepared to increase the capital cost to expedite it, because overall its economically an advantage to us
- Just don't say no were not going to get on with it because we escalate it, it's going to cost one hundred thousand dollars more
- If I'm going to save one - two million dollars a day it's going to cost me an extra hundred thousand dollars, its money well spent
- In my mind you can't separate it: time, schedule and out of pocket costs are intermittingly tied together
- What I'm trying to do is minimize the overall impact to the Newfoundland consumer
- **In June 2017 you increased the estimated operating and maintenance costs from 34 million to 109 million. What were the contributing factors that caused this?**
- Well, this is showing again bringing focus
- Now that I have a team that's looking at transmission line and bringing it on-stream in 2016 last time I wore it was estimates on OM
- Now were getting to more refined things, so as part of the update, I wanted to give estimate on OM
- When John came back on that and said whoa
- Looking at comparable I had John go and do a best practices review, somethings had been left out of it
- For example of when we do a comparison, if there's differences in water tax for example with OM
- That's a provincial mandated thing, you have to pay OM, water tax right
- Make sure comparing apples to apples

- There's some things like that we tried to adjust for
- Water taxes were different
- Aboriginal settlement agreement was five million dollars a year, that's here not say in Alberta
- John came up with that estimate based on best practice people
- I said what's going on here?
- The one thing to add there is I talked to Derrick about this, and he said at the time he recognized they were low but he was told by my predecessor that was to be the number
- The number they had used, that while Derrick recognised that the number was low, he was told no that's the number we are going to use
- So use it
- **Why was he told that**
- I have no idea, have to ask Derrick
- He did express it to me
- **We understand that the project was set at P50, are you familiar with the P class numbers? What was your impression of fact estimate rated at P50?**
- Yes
- It's part of the review, to be honest, I think I did it in 2016 but it could have been 2017, but I think it was 2016.
- As part of my general overall review, I go through the estimate and I'm trying to get 2016 estimate
- I look at their probability analysis
- I don't pay a hell of a lot of attention to that I'd much rather go to item by item view of it, give it my best estimate
- I understand the process that's fine
- When they told me they were using P50 I said well what's been our recent experience?
- Our recent experience was P75
- Not a rocket science there
- If your tracking at P75 its going to be P75
- But I also recognized, you'd expect earlier on that you would have a lack of experience it could be all over the place
- But being into it for a few years, and having a track record, the first thing you do is forget about all the theoretical exercises, let's look at what we're doing
- I'm a very practical guy
- And if were tracking at P75 then P75 it will be
- **Were you familiar with P-factor before joining this project?**
- I'm familiar with all the ways of estimating
- I'm more used to having a more detailed quantitative analysis sort of thing
- My experience was worth in this thing
- Lot of people involved in this involved are from the oil and gas world
- Where they take a different approach than we would in the utility world

- Utility world were much more conservative, much more quantitative
- But I've also had experiences, and also just before I retired out west, we were working on a hydro project
- A smaller one
- And a reputable engineering firm gave us estimates for several years
- We were in the negotiations with our American friends
- Before I pull trigger and asked for an update the estimate was twice what they had given me for the last two years
- So I know these things can be pretty volatile
- I like to have, most of projects I've been involved in have been smaller than this
- Last one, the biggest one, was probably a billion dollars for the project Colombia it was 330mw
- Different situation but I'm not unfamiliar with cost estimation and things
- The more time you put into study and questioning the more you save and the better your estimate
- I've never faced situation in my career with this type of cost overrun
- I've had delays in central America
- Because the American environmental delayed me for a couple years
- In terms of actual construction this wouldn't fly with me
- And I don't accept for a moment that mega projects are typically 40% overrun and maybe they are but mine don't
- **You're projects don't go 40% over?**
- No, last one was a billion dollars, on time and on budget but a lot of time had gone into study, questioning, those sorts of things
- **Have you ever dealt with tactical and strategic risk in the past?**
- I know they concept
- There's an area where I'm more sympathetic with project team
- Lot of strategic risk come from government
- Here the government is the owner
- If the owner tells you, look you don't have to include those in our analysis because we're going to take care of them
- If the owner is going to assume those risks, than fine include them
- There's no right or wrong here
- If owner ultimately paying for this, you know I'm going to consume them
- Changes the legislation, environmental legislation
- Were responsible for the aboriginal and things
- If you're going to assume those take them out
- You're the owner
- **Those items were subsequently included though?**
- Well some were subsequently transferred into the cost

- As the owner if you're going to do an estimate
- And the owner tells you there will be risks but exclude them
- You exclude them, don't you
- Not ignoring them just saying who's going to be responsible for them
- If they transpire they transpire, but owner is going to assume those risk
- If you look at them in risk register and identify them
- Nalcor only owned by the people of the province, the government of the province
- If government said no take it out, take it out
- **They chose labour productivity?**
 - I don't know how they got at that
 - Obviously off considerably
 - Don't know who did the estimate
- **Sorry, let me be clear with my question, would a concern about labour productivity be strategic risk or tactical?**
 - I don't care, it's a risk I want to pin down who's going to bear it
 - If you have a fixed price contract then the contractor bears it
 - Unit price contract then the owner bears it
 - I'm not so much interested in classification as I am making sure its identified and make sure who bears responsibility
- **You say though that the owner assume the risk, and say that they're going to take on that risk. Can they not choose whichever elements of risk they are going to take out and say were going to assume?**
 - For example if you have unit price contract of labour
 - If the owners say were going to compensate you for labour
 - Than the owner consumes it, or in this case
 - I have to be careful sometimes the owner is the province
 - But they put a cap on it that ultimately caused a problem
 - Astaldi made blunders as well earlier on
 - Some of their work methods and approach
 - Something you define in the contract, recognize risk, define the contractor who bears it, and you drive on
- **What does contingent equity mean?**
 - Contingent equity
 - Not sure I'm familiar with the term
 - In this case there was a dispute over what contingency is, what the purpose of it is, tied up in this case because of the way project financed in the province is bearing responsibility for cost overruns and the equity
 - Thing has no generic meaning to me, if you want to ask the question more specifically
- **Sure, I understand that strategic risk was included in management reserve to be funded by contingent equity**
 - Yeah

- Those things are a bit foreign to me
- I'm much used to a simpler model
- **SNC Report, the April 2013 one are you familiar with that?**
- Absolutely
- **When did you first see it?**
- June 2016 that documented as well in my notes
- As part of my open door policy individual came to see me from SNC and referred to it and I asked if he had a copy he said no
- After he left I went looking for it in our archives, there was no record of it
- I asked around no one knew anything about it
- Subsequent Meeting with SNC executive a few weeks later I asked them about it
- They knew what I was talking about and they had said that they prepared it
- Attempted to presented it to predecessor and he declined it
- I asked if I could get a copy
- He said absolutely
- In a few days he sent me a copy
- I read it, just for historical interest
- Historical in a sense it indicated to me that early on people knew that the costs were out of line and low
- So I took it and I think I showed it to Gilbert, showed him, he said he never seen it
- Put it in my drawer
- Used it in my update in terms of trying to explain why costs were the way they were
- Estimates were low
- Didn't really tell me at that point in time than I had gathered, from where we were
- A lot of these things that occurred were history
- Its deeply suspicious
- **Deeply suspicious about what?**
- SNC
- My view is that SNC one of principal architects of the estimates
- A few months after the project started they have been removed from their initial position
- Your presenting me with a report that says the cost estimates are really low
- I said what are you trying to do
- Is this an ass covering exercise or is it an exercise to convince me that they should be brought back in
- I asked them about coming back in
- They gave me a report on that, they said it would be three months to prepare me a proposal
- I said thank you very much I can't afford a few months I'm dropping off
- Didn't impress me

- I had to refer to it when government people I referred to it generally
- Just before it came out I referred to it again in a meeting with the premiers office
- Greg Mercer asked me, talk of this report, can I see it?
- I said it's a SNC-Lavalin report
- Asked me for a copy and I felt no its still SNCs document as far as I'm concerned, I don't want you going forward just on my heresy
- If you want to use it check with SNC first
- My understanding is he did and they use it
- **Why was the report brought to your attention?**
 - It was just referred to in general discussion and this individual had worked for SNC, in his discussion he just referred to it
 - I said do you have a copy of it
 - He didn't drag it in there we just had a conversation
 - I picked up on 2 reports, one was one that he had and he gave me a copy
 - I said what about the other one
 - He referred to one point SNC had come to Nalcor reporting that there would be cost overruns and Nalcor didn't seem to do anything with it
 - He referred to it in passing
 - I asked for a copy
 - He didn't have a copy
 - A couple weeks later when I went to see SNC were in he said oh yeah he knew about it
 - He gave me the background
 - It just confirmed in my mind it had never been delivered
 - That's why people like Gilbert never had it, never knew anything about it
 - And why it wasn't in our archives, it had never been accepted
- **Do you know if anyone discussed it verbally with SNC?**
 - SNC told me they met with Ed and tried to give him a copy and he said I don't want it
 - Either he was pissed off and fed up with SNC trying to get back in, which would have been understandable
 - If they were responsible for the estimates and now coming in and saying you know this thing is cost rising, you need us
 - I would have told them to go to hell too, that was the truth of the matter
 - But I did raise it with Gilbert and until I gave him a copy he hadn't seen it
- **Did you discuss it with Paul Harrington at all?**
 - I have no idea
 - I didn't specifically ask him
 - And he never volunteered
 - The fact that SNC had told me that it had never have been received

- I mean I would not know how Paul would have seen it
- **Same for John McIssac?**
- Yeah, John never knew anything about it
- Nobody I raised it with at Nalcor, until I got a copy myself, nobody knew anything about it
- **With copy in hand did you discuss it with project team?**
- No I looked at it
- Like I said it was historical interest
- I did raise it with Gilbert
- Gilbert I think took a copy and raised it with Westney, I think that's how it transpired, but like I said there was nothing new in it
- I found it historically interesting
- I'm not interested in history I'm interested in where we are and how to go forward
- Who's to blame for all of this and what went on I could care less that's for you to sort out, I got my own problems
- **Am I hearing correctly that the only person that you really spoke to about the SNC report was Gilbert?**
- Memory with Gilbert
- I probably raised it with others, I can't remember
- There was so much on the go
- I may have raised it with others but I don't know
- You have to understand there's nothing new with it, certain costs were going to increase now their increased
- Ok, so SNC were right in terms of
- But from my point of view, and I still don't know
- If SNC were principal architects of the estimates, okay boys you were wrong
- You told me that you're a few months into it and the rest of us are wrong
- What the hell am I supposed to do with that
- **We received meeting notes of yours that reference SNC report? And a Brad Chaulk was mentioned, who is Brad Chaulk?**
- Brad was the individual who mentioned it
- Brad was an engineer
- He has an affiliation, I'm not sure if he had a relationship with SNC-Lavalin, he had worked for them
- When SNC-Lavalin made the proposal about going forward, he was part of that package
- He has some kind of relationship with SNC that I'm not aware of, he had worked with him or something
- He was the individual who referenced it, that he worked for SNC
- That's why he was aware of it
- When I suggested SNC bring in proposal he came in with them
- He obviously has a relationship with them

- **Just so I understand the sequence, Brad Chaulk came to see you before SNC put a proposal in front of you?**
 - Yes
- **He came on his own?**
 - I had an open door policy, number of individuals came to see me
 - People that had been associated with the project gave me their views
 - If I can reference my calendar, let's see
 - I assumed you checked, it is Brad Chaulk
 - Yeah, I met with Brad Chaulk, he had done work on construction, Muskrat years earlier
 - His five years with SNC he showed me copy of one report and also referred to 2013 SNC report showing that cost overrun and delays were possible
 - That's when I asked him about it
 - It was Brad
 - Whatever relationship was I'm not clear but he came on his own
 - See subsequent in my notes when SNC came in he was with them
 - I'm pretty sure
- **Stan left to get notes. break for 5 mins**
 - Don't have my book here but the second meeting I had with SNC people should be in the records
 - The first meeting I had with him I asked for the proposal
 - When he came with the proposal, I think Brad Chaulk was with him then, but you can check my notes
- **Maybe I didn't understand properly – I thought you said SNC proposal would take 3 months or 90 days?**
 - Yes, they went off, they came back
 - This was a proposal for a proposal
 - I asked them about it
 - They proposed to have a three month period to come in with a proposal
 - What came back was a proposal for a proposal
 - That's why I said okay thank you very much
- **Did you have any concerns with the project management team that you were considering SNC?**
 - I wanted to look at all my options
 - I was drinking from a hose
 - Wanted to look at as much as I could as fast as I could
 - So I went in and asked the management team for an update
 - I sought out some advice, like I said I talked to SNC
 - Whenever I had a call, like I said I got a call from CEOs from major construction companies, they talked about it
 - They were looking for work to see if opportunity for them, said I would chat with them

- Right now here's where I am with Astaldi and I was chatting with the person
- If you get Astaldi, your there
- If Astaldi doesn't perform at all
- Any break in it, the general consensus is it would cost me a year
- Any new contractor would want to be paid on reimbursable basis wouldn't accept responsibility for the work that had been done
- Astaldi had all the instruction, methodology, all the working diagrams and that sort of things
- New contractor had to start from scratch
- No question it's going to be difficult, nasty and expensive
- **Could you explain current process for communicating updates, other issues or concerns with board and government?**
- Boards
- When I went in there, there were 11 separate boards of director
- Had board for transmission system
- Muskrat Falls management board
- How in the name of god am I supposed to deal with this without spending all my time at board meetings
- What I came up with
- Every board, except Nalcor board had quit, they had quit the day before I took the job
- So I said to the government let's put a few deputy ministers in there
- Because I need to respond quickly
- It's unfair to any outside individual to come in here in this mess
- It's going to take a long time to get up to date
- You're the parent, let's get this thing done
- We operated with very small board at Nalcor level until early 2017
- Had all sub boards only knew little piece of what was going on
- I said this is not governance
- This is just tokenism and bureaucracy
- Going to bring all the boards in and I'm going to give a presentation of where I think this is, and my senior management team
- I asked how they all enjoyed it and they did, first time they saw the big picture
- So I said this is the way we are going to do it
- I'm going to be present for this presentation, I don't possibly have time to attend all boards meetings and committee meetings, but I'll have my executive there if necessary
- That's the way we've worked since then
- Parent board came in
- I treat them as I would in the private sector
- I keep them advised, try to give them a leading edge of what's unfolding

- Because really what you need to know, the past is history, but you're looking at what's facing us, what do we see happening, risks
- I also have group session, Nalcor board, then we have all these other things like oversight committee
- I don't attend (OS committee) exec goes to those
- All these are vehicles for the government to gather information and waste my time
- We had oversight committee, deputy ministers and ministers will come down and seek information updates
- I get called to premier's office sometimes ministers there and sometimes they're not
- This is governance
- I try to be respectful, of all our groups
- All of them whether premier or individual of subsidiary
- It's not helpful
- **Are you familiar with the FLG2 when it was negotiated why the government was pushing for a guarantee?**
- Guarantee
- **I guess the Federal government pushing for 50 basis point guarantee fee in there. One of the differences between FLG2 and FLG1**
- When I went to federal government to get the money, it was matter of negotiation, that was one of their demands
- Rate was lower than their previous one so they felt they should get something out of it
- It was part of negotiations, they asked for it
- **Today, do you feel current forecast and timeline for the project is attainable?**
- Yes we didn't change it in 2017, much further along, some things are finished
- 2 big risks – one is Astaldi, Astaldi is in financial distress because of other things, investment in Venezuela wrote off, trying to sell interests in Turkey, trying to recapitalize
- Public company, all in the public domain
- Keeps getting postponed, no question that they are in financial difficulty
- Bonds have been downgraded
- Have been having trouble meeting debt obligations regarding Muskrat Falls, some leads filed
- We're working with them we know they're in financial distress
- Last going off we engaged surety
- At this point in time, we all recognize the best thing for everybody is for Astaldi to finish the job
- Performing well, doing their best
- Facing financial difficulty
- We recognize this
- We're all trying to work together
- Current issue, that's a risk
- Its diminished greatly
- Month from now, within a few months, a lot of critical work finished

- Were currently working on plan B, other contractors coming in
- As they get out of that pit in generating station
- It becomes much easier for another contractor to come in and finish it
- Once you get out of the draft tubes and out building walls
- Anybody can build walls
- Really past a lot of the critical work
- Help save them, they are not really equipped to do it anymore
- Helps us expedite the project and move some risks
- Somethings we de-scope, a lot of the bonuses get moved as fast as possible
- If we can get it done the next 2-3 months basically done the end of the year
- Different than situation than we faced two years ago where we were just in the middle of this and facing a construction year
- Now were inside, a lot of the critical work has been done
- That's still a risk
- Andritz will be after them if we run a smooth path right now and get Andritz in there can actually advance first power date, we have a real possibility of that
- That's why I'm prepared to pay a few extra dollars
- Use the risk, advance the project
- Transmission side the real risk is GE
- GE has been struggling as a corporation
- They lost a lot of money on the project
- They bought the project when they bought Alstom
- Bought the work
- Probably didn't do the due diligence they should have done
- CEO said they've lost about 280 million dollars on it which is probably right
- But we got them to stage to that
- Essentially all the hardware is there, some things missing on the hardware side
- Missing on the software to operate the plant
- We've got to this stage that we can let management operate 45-60mv we tried to get it fully automated
- GE is struggling, not just this work, struggling corporately
- I'm meeting with CEO and their key people
- On the phone last (3 weeks ago) on the phone again tomorrow
- Pushing to see what happens
- Also working on plan B , C
- **I've only got a few more questions. Are you limited in any way today in terms of providing us with a comprehensive answer to any of our questions?**
- No

- **Has anyone asked you to do something that made you uncomfortable regarding this project?**
 - Yes, government
 - They are always pressing for one thing or another
 - Nothing major, we say no
 - For example, when we started to arrest aboriginals and I was directed not to do so
 - Arrest the aboriginals when they tried to occupy or demonstrate there a second time
 - I instructed our lawyers and Gilbert to use all our powers and full force of the law to get them out of there
 - I got call from minister saying you can't do that, I said thank you very much and called Gilbert and Tom (legal counsel) and said have you got them all arrested yet
 - They said no
 - And I said you better move on it fast
 - This is the sort of thing I get constantly
- **Is there anything you thought we'd talk about that we haven't spoken about yet?**
 - No
 - I genuinely feel, I want people to understand what the real issues are
 - To focus on the cost overruns, yes there are cost overruns
 - Contractors absorb lot of cost , on the other hand, you're going to get value for your money
 - I've said publically and I believe that you couldn't build for any less today
 - No question when they started the people didn't have the experience to take this project on
 - No one at Nalcor had ever built hydro dam
 - The people that had built previous ones during my career are all retired and dead
 - CEO was not from the industry
 - I'm sure they all did their best
 - Bring Gilbert in, Gilbert was given responsibility
 - Gilbert didn't have background
 - Smart, honest individual working hard taking lot of abuse
 - I don't know why he's still there
 - I always say to him just quit but he's a dedicated person
 - When I came on, here's an example
 - I was told by government to fire them all
 - Why haven't I fired them all
 - I was in the cabinet room
 - Government officials looked across the table at my people and said why haven't Stan fired you yet
 - These people have taken a hell of a lot of abuse
 - Again I defied government and told them I need these people
 - Gilbert is a good example

- When he started he didn't have experience but he's a smart engineer, he knows everything that has gone on
- He's my key person to tell me what went on when
- I would trust him with my life
- Put on the stand I will say these people have been abused terribly
- I'm used to an industry where you're paid nowhere close to what you would have earned in the private sector
- Not treated with respect
- They've done everything I've asking them to do and more
- **What do you think happened here?**
 - I think it's quite clear what happened, my view – public policy decision by government to do this
 - Which they should do
 - That was their prerogative, government should be making these public policy decisions
 - the only thing wrong with that is that you take responsibility of that and don't try to portray it as a utility issue
 - You look at the isolated island option
 - I would never propose isolated island option, it just made no sense
 - By giving them the assumptions, we've already determined the answer, the answer was going to be Muskrat Falls
 - Refer to PUB, it's not question for PUB, if you're going to put province well-being on the line it should be public policy and take responsibility for that
 - When it goes wrong stop blaming people who were put on the line to execute
 - If you call upon people who don't have the background and experience to do it and they fumble
 - If you ask Stan Marshall do brain surgery what's going to be the outcome?
 - It isn't going to be pretty
 - But you try your best if mandated to do something
- **When two were compared then, isolated and interconnected, and interconnected was selected – do you think they were aware it was going to cost more than the estimate?**
 - Who?
- **Was Nalcor aware, was project team?**
 - I think people there honestly did their best, didn't have experience to question this in the beginning
 - Project team came from different industries, different standards, different levels of tolerance for risk
 - No experience in electrical part of it
 - They made mistakes early on no question about that
 - Again, if you ask Stan to do brain surgery going to have mistakes
 - Who's responsible for that
 - For example, when I made management changes, the government tells me you can't create more executive positions because it would look bad
 - And by the way you can't pay them anymore because that will look bad
 - So soldier on with the people you got

- Try to reward them anyway you can
- Try to treat them with respect
- These people provide stellar service but you acknowledge where they were when they started
- These people are making small fraction of what they would in private sector
- You couldn't pay me enough to do this job
- It's a horrible job
- **Why is it a horrible job?**
- Dealing with government
- You're put in a situation that's a crisis
- I could have gone to work for the private capital people of the united states and made a whole lot more
- If just money you'd make a lot more, less stress
- Because here you have the stress of political
- It's a horrible job, couldn't pay me enough to do it
- **Anything else you'd like to share with us today?**
- I think I've said more than enough
- **My last question is that we may have additional questions for you down the road, is it ok if I reach out to you?**
- Absolutely
- **Thank you very much**