

SNC-Lavalin report revealed Muskrat Falls risks: premier

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Premier Dwight Ball and Natural Resources Minister Siobhan Coady said Friday the costs associated today with the Muskrat Falls project were expected early in construction by some of the people involved with the project.

Following Nalcor Energy's announcement of another \$1 billion being added to the expected total cost for the Muskrat Falls hydroelectric project, the premier said the costs should come as no surprise to some of the people involved.

In a news conference at Confederation Building, Premier Dwight Ball said the project should never have been pursued, being “poorly planned” and “destined for cost overruns.”

He offered reporters a copy of a risk assessment report he said was provided to him for the first time the day before. It was produced by SNC-Lavalin in April 2013.

The internal report — with cover page signatures from at least five SNC-Lavalin managers and executives — addresses urgent concerns about “major challenges” expected for the Muskrat Falls construction project.

It puts dollar estimates on potential losses tied to factors such as Nalcor Energy’s limited experience with major projects, contract packages being sized too big for bidders, existing competition for labour, a lack of enough on-site accommodations for contractors and more.

About 40 risks were apparently identified. With rankings from very low to very high, speaking to probability and manageability, most of the risks noted for Muskrat Falls were flagged as a very high risk level. In all, according to the report, it amounted to an estimated \$2.4 billion in cost exposure.

The project was roughly 20 per cent complete, with the report warning of a possible 39 per cent overrun.

Construction is now 75 per cent complete. The expected final bill has moved from \$7.4 billion (including financing) in 2012 to an estimated \$12.7 billion.

“It’s shocking to read this report and know that the former CEO knew of these risks four years ago, when he probably mitigated against them. And the response was to do nothing,” the premier said, referring to Ed Martin while speaking to what he calls the government’s “inherited issues.”

Ball said he received the SNC-Lavalin report, showing concerns with Nalcor Energy’s risk assessments, from current Nalcor Energy president and CEO Stan Marshall, and Marshall received a copy from SNC-Lavalin. The premier could not say when Marshall first laid eyes on it.

Either way, “We face the reality that the previous government was meticulous with at least one aspect of this project, which was locking the people of this province into contracts with no flexibility and no options,” Ball said.

He said he would support a forensic audit or inquiry into what has gone wrong with the Muskrat Falls project and whether or not the public was misled, but he would not do so before the project is completed.

“Someone must be held accountable,” said Natural Resources Minister Siobhan Coady, adding that a deeper review right now could ultimately cost ratepayers more, in addition to audit and inquiry costs for taxpayers.

The Government of Newfoundland and Labrador is continuing to look at ways to help bring down the high power rates now expected as a result of Muskrat Falls costs and planned spending on the part of Nalcor Energy subsidiary Newfoundland and Labrador Hydro.

Progressive Conservative Leader Paul Davis said the premier is playing a political card in delaying an inquiry or forensic audit. Davis also warned against going down the road of suggesting misdeeds without further formal inquiry.

"If someone's going to make suggestions and allegations like I've heard today, let's get on with getting to the bottom of it," he said.

On the SNC-Lavalin report referenced by the premier, Davis said he has no recollection of having seen it before, even during his time as premier.

NDP Leader Earle McCurdy hadn't seen the report, but said regardless there needs to be a deeper, public review now into what has happened with project costs.

"The issues that have been raised are so serious that they need to get on with that, to satisfy the need to understand how something could go so far wrong," McCurdy said, "and to make it clear to people who are in positions of authority that there's accountability for their decisions."

McCurdy said he considered talk of additional ratepayer costs a cop-out and something being used to delay calling an inquiry.

"I think the public has a right to know what happened, that we could have a problem of this magnitude completely undermine the financial stability of the province."