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**Decision/Direction Note
Cabinet Secretariat****Title:** Contract Award 2015/2016 – Muskrat Falls Oversight Committee Advisory Services**Decision/Direction Required:**

- Authority is requested renew a contract with Ernst & Young LLP (EY), pursuant to Section 4.1 of the Guidelines Covering the Hiring of External Consultants, for Advisory Services for the Muskrat Falls Oversight Committee (the ‘Committee’) for the 2015-2016 fiscal year to a maximum value of \$342,000 plus HST.

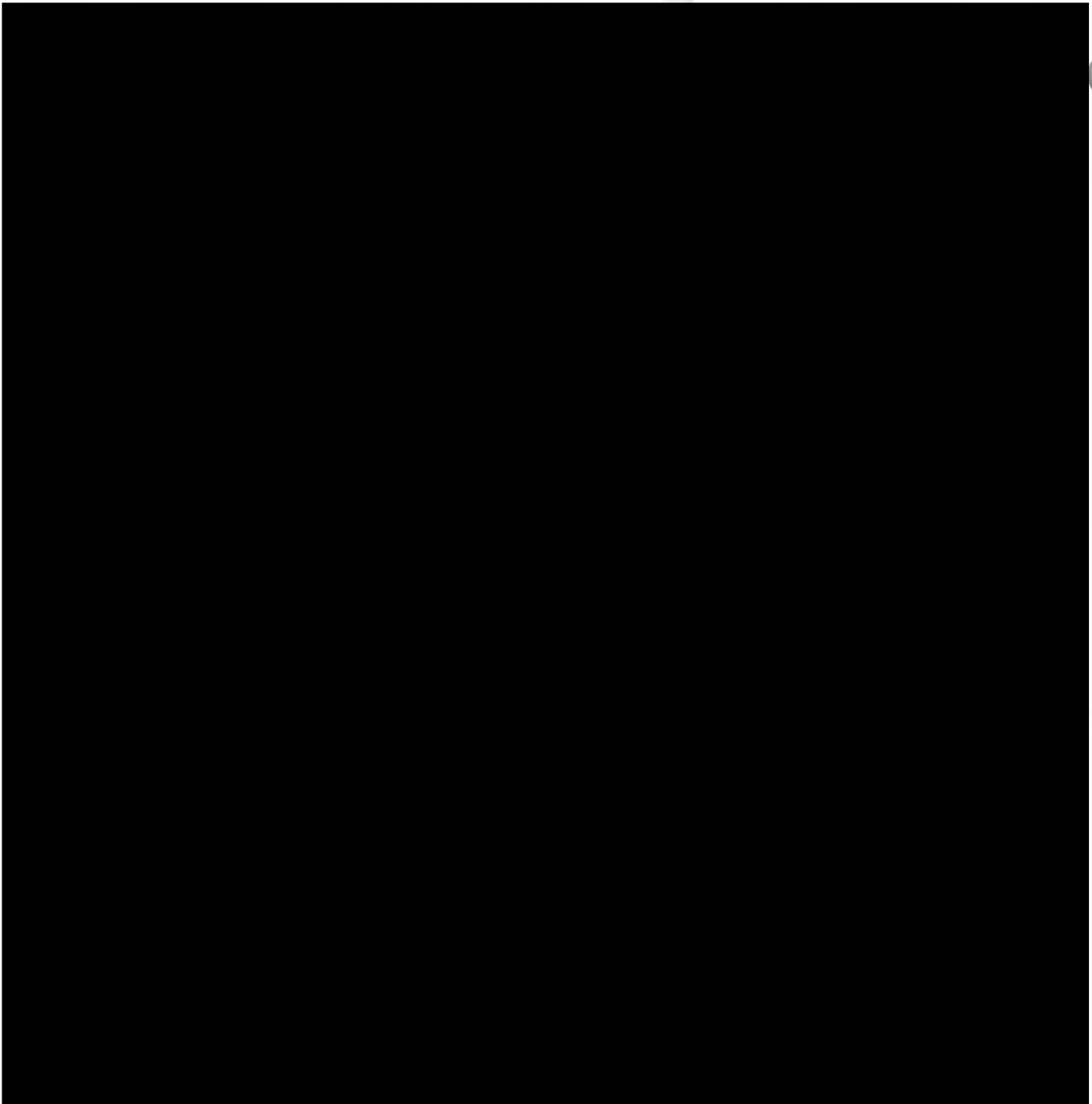
Background and Current Status:

- On September 29, 2014 the Committee issued a limited call Request for Proposals for consultancy services on a fee-for-service basis to support its activities and to ensure independent specialized advice is available for the review and interpretation of project cost, schedule and risk information provided to the Committee by Nalcor. The contract was awarded to EY (MC2014-0516 refers). The October 17, 2014 Decision Note is attached, for reference.
- The current contract expires March 31, 2015, but includes an option for GNL to renew for a second, third and fourth year (reflective of the four-year construction period) to ensure continuity, subject to budgetary appropriation. Since the Committee does not have a block base of funding it could not seek a pre-commitment of funds to award a multi-year contract. Consequently, Cabinet approval of renewal of the contract is required each fiscal year, but issuance of a new RFP is not required.
- The Committee recently engaged EY to review Nalcor’s project management processes and reporting mechanisms for Cost and Schedule as outlined in the Committee’s September and December 2014 public reports. This scope of work will continue into the 2015-16 fiscal year.

Analysis:

- The consultancy rates are detailed in the attached Schedule A and have not changed from the rates charged for the 2014-15 fiscal year contract.
- FIN confirms that \$342,000 has been included in the budget process for fiscal 2015-16, subject to Cabinet’s final approval; however, there are no funds in the fiscal framework for any of the out years and any funding requirements would have to go through the annual budget process.
- The total estimate for the review of Cost and Schedule controls is \$125K; \$85K will be incurred in 2015-16. Additional advisory services will be provided on an as-needed basis, as determined by the Committee throughout the year within available funding.
- The contract must be executed by April 1, 2015 to ensure no disruption to the ongoing review of Nalcor’s project management processes and reporting mechanisms for Cost and Schedule.
- NR has no concerns.

Prepared/Approved by: J. Power/C. Martin, Cabinet Secretariat
Approved by: J. Mullaley
March 31, 2015



**Decision/Direction Note
Cabinet Secretariat**

Title: Contract Award – Muskrat Fall Oversight Committee Advisory Services

Decision/Direction Required:

- Authority is requested to:
 - Award a contract to Ernst & Young LLP (EY), pursuant to Section 4.1 of the Guidelines Covering the Hiring of External Consultants, for Advisory Services for the Muskrat Falls Oversight Committee (the ‘Committee’) for the remainder of the 2014-2015 fiscal year to a maximum value of \$250,000 plus HST.

Background and Current Status:

- Government established the Committee in March 2014 to strengthen and formalize existing oversight of the Muskrat Falls Project. Pursuant to its Terms of Reference, the Committee’s oversight is focused on project costs, schedule, and risk.
- To support the Committee’s early deliberations, in March, 2014, EY was retained on a short-term contract to conduct an assessment of the Committee’s terms of reference and to provide advice on what is required to effectively monitor the project’s cost, schedule and risks. EY’s report to the Committee was received on July 25, 2014.
- The Committee’s first report was issued in July 2014 and focused on the Committee’s Oversight Framework and Nalcor’s reporting requirements; it did not provide an assessment of Nalcor’s management of project cost, schedule and risk. A copy of EY’s report to the Committee was included as an appendix to the Committee’s July report. The Committee’s next report, which will cover the period July 1-September 30, 2014, is due to be issued in November 2014. Public expectations are that this report will provide an assessment of the management of project cost, schedule and risk.
- On September 29, 2014, in accordance with section 3.4(a) of the “Guidelines Covering the Hiring of External Consultants,” the Committee issued a limited call Request for Proposals (RFP) seeking consultancy services on a fee-for-service basis to support its activities and to ensure specialized advice is available to support the review and interpretation of project cost, schedule and risk information provided to the Committee by Nalcor.
- The terms of the RFP stated that the current contract period would expire March 31, 2015, but included an option to renew, by the Government at its sole discretion, for a second, third and fourth year ending March 31, 2016, March 31, 2017 and March 31, 2018, subject to budgetary appropriation. It was determined that continuity of this specialized advisory service would be important throughout the construction period of the Muskrat Falls Project. Since the Committee does not have a block base of funding it could not seek a pre-commitment of funds to award a multi-year contract. Consequently, Cabinet approval of renewal of the contract will be required each fiscal year, but issuance of a new RFP will not be required.
- Five major accounting and consultancy firms were identified with the requisite experience in major capital projects operating in NL: Deloitte; Price Waterhouse Cooper; KMPG Canada; Grant Thornton; and, EY. Deloitte is Nalcor’s external auditor; if employed by the Committee it

would be difficult to avoid the perception of a lack of independence. Grant Thornton provides services to the NL Board of Public Utilities and for that reason declined to bid on the first consultancy contract in March, 2014. Accordingly, the RFP was issued to the remaining three firms: KPMG Canada; Price Waterhouse Cooper; and, EY. The RFP closed at 4:00 p.m. on October 6, 2014. EY was the only respondent.

- EY's submission commits a senior-level team comprising key representatives from its Major Capital Projects practice and Advisory Services, including a partner, two associate partners, a manager and two senior analysts. The Committee's recent experience with EY, in preparation of the Committee's TOR and the Oversight Framework was very positive and included working with these specific individuals.
- Given that there was only one respondent to the RFP, a review of rates charged in recent contracts with other firms was compiled to determine the reasonability of EY's proposed rates. The following table provides the hourly charges quoted by EY (as presented in their response to this RFP) compared to KPMG (as charged for recent work completed for GNL), and Grant Thornton (as charged for work in 2013/14 for NR). The quoted rates appear reasonable in the context of other work performed by comparable staff.

- Budget 2014/15 allocated \$500K for the Committee. It is anticipated that approximately \$292K will be expensed on consultancy fees by fiscal year end. This comprises:
 - \$100.5K for six months' analysis support;
 - \$32K in support of two additional quarterly reports;
 - \$16K for one site visit by EY;
 - \$100K for special projects (for example, requiring EY to undertake audit verification of Nalcor management plans); and,
 - \$43.8K for professional services already incurred (earlier EY contract).
- FIN confirms that the Committee has the necessary funds for the current fiscal year; however, there are no funds in the fiscal framework for any of the out years and any funding requirements would have to go through the normal budget process.
- Treasury Board and NR have no concerns.

Prepared/Approved by: J. Power/C. Martin, Cabinet Secretariat

Approved by: J. Mullaley

October 17, 2014



2015/04/01

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NR/DM
FIN/DM
TB/Secretary
Deputy Clerk
File

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An Update respecting Contract Award 2015/2016 – Muskrat Falls Oversight Committee Advisory Services was received from the Clerk of the Executive Council.
Approval was given, pursuant to Section 4.1 of the Guidelines Covering the Hiring of External Consultants, for Clerk of the Executive Council to renew the contract with Ernst & Young LLP for Advisory Services for the Muskrat Falls Oversight Committee, for the 2015-2016 fiscal year, to a maximum value of \$342,000 plus HST.

Clerk of the Executive Council