

## ‘We didn’t need to see a report’ from independent watchdog

Minister says Ottawa’s \$5-B loan guarantee for Muskrat Falls was based on engineer’s draft report

Independent study of project was a condition of loan guarantee

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The provincial government didn’t bother to ask to see a key report from the only body assigned to do ongoing independent oversight of the Muskrat Falls project, according to Natural Resources Minister Derrick Dalley.

What’s more, Dalley said the reason the government never saw the report was because the Government of Canada authorized a \$5-billion loan guarantee based on an interim draft of an engineer’s report.

Completed in November

The Muskrat Falls independent engineer filed a report with the federal government on the project in November, but the provincial government only received an updated copy of that report on Friday.

“I didn’t ask for that report,” Dalley said. “I guess we expected the report to be sent to us when it was done and completed, and we received it on Friday.” When the federal government agreed in principle to provide a loan guarantee for the Muskrat Falls hydroelectricity project, one of the conditions it placed on the deal was that an independent engineer be hired to study the project and sign off on it.

That report was done by engineering firm MWH Canada and was delivered to the federal government in November. It had to be completed before the provincial government could borrow \$5 billion to finance the Muskrat Falls project.

Dalley insisted the November report was only an interim draft report, but it was good enough to satisfy the federal government to authorize the federal loan guarantee.

“It was not a finished report,” Dalley said.

It was three months — after the money was borrowed — before an updated copy of the report was provided to the provincial government, Dalley said.

“We have the report as of Friday, and we’ve also been told this evening that is not the final, final report,” he said.

Dalley was at a loss to explain why the provincial government got the February interim report but didn’t get the critical November interim report, which was the basis for the \$5-billion loan guarantee.

When asked, he said, “Good question. Ask the Government of Canada.”

Dalley said he never asked for the November report because he didn’t feel he needed to see it.

“We didn’t need to see a report for the federal loan guarantee,” he said. “We’ve got our own work done around the project and the loan guarantee and the financing.”

Dalley acknowledged that the independent engineer is the only body doing any independent oversight of the Muskrat Falls project while it’s under construction.

“The independent engineer is providing the oversight,” he said. “Beyond that, we don’t have anyone in place to provide oversight over the construction.”

Information from Nalcor

Beyond the independent oversight, Dalley said the primary way of getting information and project updates comes directly from Nalcor CEO Ed Martin, who provides information to the deputy minister of the Department of Natural Resources.

“Ed Martin is the key point of access and the person we work very closely (with),” Dalley said. “The deputy minister would be the primary point of contact, I guess, and obviously they report to me.”

He said the government is looking at potentially putting some other form of oversight in place to keep an eye on Nalcor while it constructs the \$7.7-billion project.

There is no one within the Department of Natural Resources who is studying Nalcor’s engineering and design work in detail, and when it comes to the only independent body doing that sort of work, the government didn’t get the report until three months after it was written.

But Dalley said it would be a waste of resources to have anybody in the Department of Natural Resources doing that kind of detailed oversight.

“I think what we need to recognize — and I would appreciate it if you would — is that Nalcor has assembled a team of experts. The experts are in the engineering oversight, and the work that’s being done for the project (is) among the best of people that we could find,” Dalley said. “We don’t have within the Department of Natural Resources the entire expertise to get down to every little nitty gritty detail about engineering decisions. We have Nalcor, which is a company that’s owned by the people of the province that have experts, among the absolute best that we could find.”

Dalley said he’s unsure whether the independent engineer’s report will ever be released publicly — in part or in full — although Nalcor has already refused to provide a copy of it to The Telegram, citing commercially sensitive information.

He said that was mainly to protect Nalcor’s commercial interests, but also partly to protect the private companies that are doing work for Nalcor.

“If it’s commercially sensitive, and it’s going to have an impact, a negative impact, on another entity or government, you know, we can’t do that,” Dalley said. “Legally, we probably can’t do that.”

Dalley said the government is a strong believer in project oversight and monitoring, which is why the Muskrat Falls development was sent to the Public Utilities Board for a limited review, and why independent contractors were hired to study it before it was sanctioned.

“When we look at this project and as we continue on with building Muskrat Falls, oversight (and) accountability we understand. It’s important for the people of the province, important for our government. There’s been tremendous oversight,” he said. “We’re continuing to look at other ways in which we can ensure that the people of the province continue to have confidence in Muskrat Falls.”