

Date : 2/28/2014 4:27:19 PM

From : "Brown, Milly"

To : "Quinton, Diana" , "Dalley, Derrick" , "Hynes, Darrell" , "Bown, Charles W." , "English, Tracy" , "Morris, Paul J." , "Dawn Dalley/NLHydro (DawnDalley@nalcenergy.com)"

Subject : Re: Fianl response for approval

We're good.

Sent from my BlackBerry 10 smartphone on the Bell network.

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**From:** Quinton, Diana

**Sent:** Friday, February 28, 2014 4:10 PM

**To:** Dalley, Derrick; Hynes, Darrell; Bown, Charles W.; Brown, Milly; English, Tracy; Morris, Paul J.; Dawn Dalley/NLHydro (DawnDalley@nalcenergy.com)

**Subject:** Fianl response for approval

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**I'm wondering of the department or Min. Dalley can provide any clarity to what seems like a direct contradiction: He's saying in November there was a draft or interim report. The federal government language seems to indicate a finalized document. If they were "satisfied" with it, then why would it need to be further modified?**

As indicated by their response to you, the Government of Canada was satisfied with the Independent Engineer's report. This report meets the standard expected of a lender in commercial transactions.

**On a related point, the federal government is saying that the report was provided to Nalcor in November. Nalcor has confirmed that to me. So why was the report not provided by Nalcor to the provincial government?**

In November 2013, Nalcor received a draft of the independent engineer's report. They provided comments regarding this draft to the Government of Canada.

On Friday, February 21, Nalcor received the interim report of the independent engineer called: *Interim Independent Engineer's Report Lower Churchill Project*, dated November 29, 2013. This interim report had satisfied the requirements of the federal loan guarantee for the Government of Canada. This report has been forwarded by Nalcor to the Provincial Government.

This week, Nalcor received a new version of the report dated December 30, 2013. This report was also forwarded to the Provincial Government.

The Muskrat Falls project belongs to the people of Newfoundland and Labrador. It is imperative that appropriate oversight be given to it. From conception, to engineering to sanction we have given it several layers of oversight through Nalcor, the Public Utilities Board, MHI, and the Government of Canada.

Before the project began, we had independent experts verify the project. We asked the Board of Commissioners of Public Utilities to do a review, and we hired Manitoba Hydro to give us an engineering assessment and project evaluation. We hired other companies to review natural gas and wind. We evaluated Upper Churchill and constitutional arguments. We made all of this information public. We have released cost and revenue estimates and we have made project agreements available online.

We have a four-pronged approach to oversight of the project:

1. The provincial and federal governments, along with the lenders, require regular updates on all aspects of the project. Officials within the departments of Finance, Justice and Natural Resources review these reports for the Provincial Government.
2. The independent engineer will be in place for the duration of the construction phase and into the operations phase. They will provide reports to both levels of government and lenders.
3. The Board of Directors at Nalcor has more detailed management oversight of the project.
4. The Provincial Cabinet requires and receives regular reports from the CEO of Nalcor.

**In a different pew of the same church, I'm wondering what the role of the Nalcor board is in project oversight. Speaking with former board member Cathy Bennett, she said she made requests to the provincial government to provide more oversight and megaproject management experience on the board, to provide an additional level of scrutiny internally. She said despite making the request, nothing was ever done. With that in mind, I'm wondering if I could get an explanation of what expertise, experience or qualifications are needed to be appointed to the board. Also, what is the remuneration for that position?**

The current board is comprised of a diverse group of professionals within the province. They all have a significant level of experience and we have appreciated the work they have done to date. However, changing requirements for boards of directors is a normal part of growth for any company. We are always looking at our board and are already discussing changes in qualifications and expertise we will be looking for.