

Date : 3/1/2014 10:56:58 AM

From : "Dalley, Derrick"

To : "Bown, Charles W."

Subject : Re: The Telegram: Feds won't confirm details of Muskrat Falls watchdog report

Mine tooooooo! Been talking with Ed for past hour! Decided to call him for a chat. I woke up at 7:20

Department of Natural Resources

Government of Newfoundland and Labrador

P.O.Box 8700

St.John's, NL

Canada

A1B 4J6

From: Bown, Charles W.

Sent: Saturday, March 01, 2014 10:11 AM Newfoundland Standard Time

To: Dalley, Derrick

Subject: Re: The Telegram: Feds won't confirm details of Muskrat Falls watchdog report

My head hurts.....

Sent from my BlackBerry 10 smartphone on the Bell network.

From: Dalley, Derrick

Sent: Saturday, March 1, 2014 8:58 AM

To: Quinton, Diana; Bown, Charles W.

Subject: Re: The Telegram: Feds won't confirm details of Muskrat Falls watchdog report

He did not write our comments regarding the Board. His motives become clear when he fails to report the full story. Jack Harris was good!

Department of Natural Resources

Government of Newfoundland and Labrador

P.O.Box 8700

St.John's, NL

Canada

A1B 4J6

From: Quinton, Diana

Sent: Saturday, March 01, 2014 06:57 AM Newfoundland Standard Time

To: Dalley, Derrick; Hynes, Darrell; Bown, Charles W.; English, Tracy; Morris, Paul J.; Williams, Tina

Subject: The Telegram: Feds won't confirm details of Muskrat Falls watchdog report

Feds won't confirm details of Muskrat Falls watchdog report

The federal government refused to confirm Natural Resources Minister Derrick Dalley's claim that a key Muskrat Falls oversight report was only in an "interim" form when it was used to approve a \$5-billion federal loan guarantee.

In direct response to what Dalley told The Telegram earlier this week, Natural Resources Canada spokeswoman Jacinthe Perras would not use the words "interim" or "draft."

"In November, the independent engineer provided to the Government of Canada a report on the Muskrat Falls Generating Station, the Labrador Transmission Assets and the Labrador-Island Link (together, the Nalcor Projects)," Perras wrote in an emailed statement. When the province and the federal government agreed in principle to a loan guarantee for the Muskrat Falls project, Ottawa placed a condition on the deal that an independent engineer should be appointed to study the project and report to the federal government.

The loan guarantee was approved in the fall of 2013, after the federal government was apparently satisfied with the report from the independent engineer.

In response to The Telegram's questions, Perras wrote, "In providing the loan guarantee for the Nalcor Projects, the Government of Canada was satisfied with the independent engineer's report. This report meets the standard expected of a lender in commercial transactions."

Despite being asked point-blank by The Telegram, "Did the federal government really approve the \$5-(billion) loan guarantee based on a draft report?" Perras' response makes absolutely no reference to an "interim" or "draft" report in November, which is what Dalley said it was.

"My understanding is that it was an interim report," Dalley told The Telegram on Monday of this week.

Dalley did not do an interview with The Telegram Friday, but Natural Resources director of communications Diana Quinton provided a lengthy emailed response to several questions from The Telegram.

"In November 2013, Nalcor received a working draft of the independent engineer's report. They provided comments regarding this draft to the Government of Canada," Quinton wrote. "On Friday, Feb. 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."

Quinton said an updated version of the report — dated Dec. 30, 2013 — was forwarded to Nalcor this week, and sent along to the

provincial government.

Nobody has been able to explain why it took two or three months for the provincial government to get its hands on the reports from Ottawa.

NDP MP Jack Harris said it would be nice if the report was released publicly.

"The more the public knows about these things, the better," he said.

"In this case, where we have a lot of people concerned about the project, particularly in the province of Newfoundland and Labrador, the engineer's reports may be of some assistance."

Harris doesn't assign too much significance to whether it was an interim report or not that was used to authorize the loan guarantee back in November.

"The Government of Canada made its decision to go forward with the loan guarantee," he said.

"Whatever it was called, clearly it was a report that was sufficiently final to provide that kind of advice."

Dalley has told The Telegram he didn't ask to see a copy of the report back in November; he's also acknowledged that the independent engineer is the only independent oversight currently in place for the Muskrat Falls project.

Dalley indicated part of the reason he didn't request a copy of the report is because it was still in an interim draft form, and he expected to see it when it was finalized.

The Telegram has requested a copy of the independent engineer's report from Nalcor and from the federal government. Thus far, both have refused to publicly release it, and both have said, typically, a report of this kind would not be released due to commercially sensitive information.

But a former director on the Nalcor board is saying the independent engineer isn't enough oversight for a project the size of Muskrat Falls.

Cathy Bennett spent four years as a director on the Nalcor board, as well as a time as chair of the board; she is also a Liberal politician who ran for the party leadership and is now pursuing a run in the district of Virginia Waters.

Bennett said she pushed the government to add expertise on the Nalcor board for megaproject management, but the government ignored her.

"You get better decisions because you're asking the hard questions and there's this kind of natural tension that happens, and my experience has been that provides for better decision making in the long term," she said.

"If you have two major projects being undertaken that this company is participating in, you need to have some expertise around megaprojects on the board. You'd expect to have it in your executive management team; you should also expect to have it in your board."

Bennett was skeptical that the independent engineer would be enough oversight.

"To say that a consultant is going to provide that same natural tension doesn't make any sense to me. A consultant will provide feedback based on a piece that they see," she said. "When you have to walk into a board meeting and explain why something didn't go the way you planned, there's a higher sense of accountability."