

Statements about Muskrat Falls project costs by former minister, CEO at odds

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Former minister of Natural Resources Derrick Dalley testifies at the Muskrat Falls Inquiry on Feb. 27, 2019.
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\$6.5-billion figure for financial close mentioned to reporters in 2014

Statements at the Muskrat Falls Inquiry by former minister of Natural Resources Derrick Dalley about when he became aware of change in the estimated cost of the Muskrat Falls hydroelectric project do not match statements made to date by former Nalcor Energy CEO Ed Martin.

The Telegram reported on Dalley's testimony at the inquiry on Feb. 27, but further review of archival material confirms a divide between the position of the former minister responsible for Nalcor Energy and the former Nalcor CEO.

Specifically, Dalley said he wasn't aware of any change in the hydroelectric project's estimated cost from sanctioning at the end of 2012 to the time of financial close (Nov. 29, 2013).

It was one of the first things inquiry co-counsel Barry Learmonth asked the former minister about during his time on the stand. Dalley said he believed the project's capital cost (without interest) stood at \$6.2 billion, both when the project was sanctioned and when the province signed the papers committing to the hydroelectric dam project.

"So there was no change?" Learmonth asked.

"No change," Dalley responded.

He testified he was not aware of early bids on project contracts coming in higher than expected through 2013, as outlined in an auditor's report, affecting the outlook.

"At the time, if there was a change in numbers, that should have been the number used and should have been the number that we put out publicly," he said.

"If \$6.5 (billion) was the accurate number, then we should have had the \$6.5 (billion)," he said.

Both in the days prior to Dalley's testimony and at least one other point — during a project update in 2014, less than a year after financial close — Martin told reporters the government was fully informed of the change at the end of 2013.



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Ed Martin June 2014

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In the more recent case, on Feb. 19, Martin spoke to reporters outside the hearing room at the Lawrence O'Brien Arts Centre in Happy Valley-Goose Bay about the latest auditor's report, and said there was "no question" the government was fully informed.

"I had to go with the information that was at hand that I could put my arms around. And from the federal loan guarantee perspective and dealing with the federal government, we did indicate to them and put on paper that it was at about \$6.5 billion instead of \$6.2 (billion) at the time they closed the federal loan guarantee. And we informed the board and the province about that, naturally," Martin said, describing how he also relayed to the province a level of continued uncertainty on further cost, with contracts still in play.

The comment matches what Martin told reporters at the public update on project cost in June 2014. In that news conference at Hydro Place in St. John's, Martin announced the estimated cost stood at \$6.99 billion (not including interest). One of the final questions there was, when did he inform the provincial government of the change to \$6.99 billion?

The CEO's response specifically mentioned the \$6.5-billion financial close figure.

"I'll give you approximate dates. But when we finalized the federal loan guarantee and those documents — which was back in December of 2013 — at that time, roughly speaking, I knew that we had gone from about \$6.2 (billion) to \$6.5 (billion), and we incorporated that in those agreements then. It wasn't public because of commercial sensitivity, but I had informed the province at that point of what some of the things were. And I'd also said to the province that I expected there might be some more, but I didn't have line of sight on those yet because the contracts were being drafted. So, probably that first piece (the increase to \$6.5 billion), in and around that November-December time frame, I informed the province. And on this piece, going from in this case \$6.5 (billion) to \$6.99 (billion), in the last week or so," he said.

At the ongoing inquiry into the project, former premier Paul Davis, in cabinet at the time of financial close, testified the day before Dalley.

"I believed the information \$6.2 billion was the amount until an increase in June of 2014, when it was increased to \$6.99 (billion)," Davis said.

Further clarity on what was known about project costs when the province locked into construction may come through testimony of former premiers Tom Marshall and Kathy

Dunderdale (April 1), senior official Charles Bown (May 16), or in Martin's next round of testimony (June 11 and 12). All dates on the inquiry witness schedule are subject to change.

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