

## Recollections regarding the SNC Risk Analysis Report

### Timing

Late May 2013 issue was raised – I asked for clarification regarding an SNC internal risk analysis . I met with Normand Bechard and JD Tremblay and was told that a VP from another division in SNC – Mines and Metals had asked for a risk review of the Project. I was told that a draft of the report is with Bernard Gagne and Scott Thon and that they may be considering offering it to us . I was not offered a copy of the draft report at that time neither did I ask for a copy.

The following points are important to note:

1. Nalcor and SNC carried out a risk identification workshop in 2012 and the risks that were identified in that workshop ( which N Bechard and JD Tremblay attended) were used to carry out a Quantitative Risk Analysis (QRA) by the Project's Risk Expert Advisor – Westney, the results of which were used in the Sanction decision. I was told that there were no new risks in the SNC report.
2. The Project Risk Management process was not followed, SNC used an internal process that did not use Monte Carlo sampling techniques and did not produce a probabilistic range of outcomes – SNC 's process produced a simple risk number which , in my understanding would equate to what is known as a P90 result.
3. The SNC risk process only considered the unmitigated risks – whereas Project considered mitigation.
4. Nalcor were not invited to participate in SNC's work, whereas SNC were active participants in the 2102 Risk Workshops leading up to the Sanction decision.
5. Nalcor had no participation in the cost ranges that SNC used as inputs to the analysis.
6. The time to conduct such a risk analysis was in 2012 prior to the Sanction decision

I also seem to recollect that the SNC Risk report was also brought up during a SNC- Nalcor senior management alignment session which was held in Pippy Park Bungalow.

SNC senior management were advised that Project had performed a QRA prior to the Sanction decision which included Strategic and Tactical risks and the cost and schedule risks to the project had been quantified prior to the Sanction Decision and Project Executive and Government were provided the results of the QRA as part of the Sanction decision. I had the impression that this information was not previously understood by SNC and in addition SNC were also advised that GNL had written to the CEO of Nalcor and had committed to providing ..."the base level and contingent equity support that will be required by Nalcor to support successful achievement of in-service for MF, LTA and LIL , in cases with and without the participation of Emera."

This additional knowledge seemed to satisfy Scott Thon that Nalcor understood the Project potential cost and schedule risks and had communicated these to the Nalcor executive and GNL. I cannot say for sure but this may explain why the SNC report was not approved by Scott Thon the most senior SNC person and stayed as draft and not issued to Nalcor.

#### Conclusion

- The SNC report contained no new risks and did not follow the Project Risk procedure.
- SNC Report was not actually offered to me and if SNC wanted to they could have simply attached the report to a letter and issued to Nalcor. It is worth noting that the Project document system ( Aconex) does not allow records to be deleted. There is no record of the SNC report in the Aconex system.
- The SNC Report surfaced after a meeting between SNC and the Nalcor CEO Stan Marshall in 2016. The report was analysed by the Project Risk expert advisors –Westmey in 2017 and they issued a report which confirmed that there were no new risks , Westney carried out a detailed cross check

between the SNC report and the risks identified in the 2102 QRA used in the Sanction decision.

- The allegation that Nalcor ignored the risks is simply not correct – all risks were being actively managed and where possible mitigated by the Project team.