



COMMISSION OF INQUIRY
RESPECTING THE MUSKRAT FALLS PROJECT

Transcript | Interview

Paul Lemay

Commissioner: Honourable Justice Richard LeBlanc

Saturday

2 March 2019

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replaced with this page.

March 2, 2019

PAUL LEMAY

MR. COLLINS: Right.

MR. LEMAY: Okay? So I had – somebody was doing the estimate for the spillway, the powerhouse, the transmission line, the substation and everything. And after we got all that –

MR. COLLINS: Yeah.

MR. LEMAY: – after December '11, when we returned to Nalcor office because we were transferred there, then we start to allow each of the part of the structure to the final contract package definition.

MR. COLLINS: Yes.

MR. LEMAY: So we got everything at the right place, you know, for the sanction that had taken place at the end of 2012.

MR. COLLINS: And the sanction was the purpose of the estimate.

MR. LEMAY: The – of course, of course, we were all aiming, you know, that the project will go.

MR. COLLINS: Absolutely.

So, ultimate – the ultimate choice about what production norm to use or what production rate to use – those were your choices in the end.

MR. LEMAY: Of course that I have – you know, I went through – I sit down with everybody, you know –

MR. COLLINS: Right. You listened.

MR. LEMAY: – and with their estimate, I said –

MR. COLLINS: Yeah.

MR. LEMAY: – how much did you end up – and you have an example here.

MR. COLLINS: Yeah.

MR. LEMAY: (Inaudible) that I show. So for having done that myself in the past I knew the answer. So if the guy from the line – that's the transmission line would come to me – would say, okay, I ended up with 500,000 per kilometre he said, you in big trouble, my dear.

MR. COLLINS: Right.

MR. LEMAY: You're missing a half a million again, you know, it's – because it's approximately 1 million, 1.1 million per kilometre for transmission lines. So, you see, I have some –

MR. COLLINS: Yeah.

MR. LEMAY: – benchmarking on my experience, so after sitting down with all these people, then we got together in an internal review with Nalcor.

MR. COLLINS: Yes.

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PAUL LEMAY

MR. COLLINS: I'm using the – I'm using the powerhouses – the November 26 –

MR. LEMAY: No, no, no. Which line you're looking at?

MR. COLLINS: The second last line: Global general factor, man-hours –

MR. LEMAY: (Inaudible.)

MR. COLLINS: – per cubic metre –

MR. LEMAY: Yeah. Yeah. Yeah. It's exactly like Nipawin.

MR. COLLINS: And that's – so it's –

MR. LEMAY: And that was my decision because Nipawin is a Kaplan turbine and LG-4 is a Francis turbine, which was in a situation completely different.

MR. COLLINS: And so the basic approach is that the Newfoundland-Labrador workforce of 2013 to 2017 was going to look like the Manitoba workforce in 1986? They were going to have a similar productivity.

MR. LEMAY: We'll see.

MS. O'BRIEN: I think he's asking you if that's what you assumed.

MR. COLLINS: That was the assumption?

MR. LEMAY: Yeah. Yeah. Of course.

Yeah, because it's – we're building about the same type of powerhouse with the same type of turbine. So it's reasonable to think that we could achieve it. But again, like I told you, I had a 20 per cent for Newfoundland area because all kinds of unproductivity factors could come in and that was reasonable to put 20 per cent, to me.

MR. COLLINS: If I could bring you back, at the beginning of this exercise you said that everyone – you said something – I asked you if the purpose of this estimate was to allow the project to be sanctioned, and I believe you said something like, everyone wanted the project to be sanctioned.

MR. LEMAY: Hein? I don't understand your question.

MR. COLLINS: We're gonna have this –

MS. MURPHY: You actually – the question – I actually have it here for follow-up questions.

MR. COLLINS: Please, yes.

MS. MURPHY: The question that you said to him was, the purpose of the estimate is to get to sanction, correct?

MR. COLLINS: And the answer was?

MS. MURPHY: I wasn't sure.

MS. O'BRIEN: His answer was: everyone wanted to get the project sanctioned, or words to that effect.

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PAUL LEMAY

MR. COLLINS: There'll be a transcript.

MS. O'BRIEN: That's my –

MR. COLLINS: There'll be a transcript (inaudible).

MS. O'BRIEN: – (inaudible).

MR. LEMAY: Well, we hope. That's why we go there. We were there hoping that the project will go ahead.

MR. COLLINS: Were you aware that the estimate – that if the estimate was high –

MR. LEMAY: You know, if we would not –

MS. PROULX: Listen to the question.

MR. LEMAY: Hmm?

MR. COLLINS: Were you aware that if the estimate was high, the project wouldn't be sanctioned?

MR. LEMAY: Not at all.

MR. COLLINS: That wasn't something – is that something you've heard before now?

MR. LEMAY: Nobody talked to me about that.

MR. COLLINS: So I'd like to show you one of the documents from the hearing binder – one of the exhibits you were shown then. I don't know if you were in the room for this presentation –

MR. LEMAY: Nobody came to me.

MR. COLLINS: I know you were asked about this earlier. This is a presentation by Nalcor on April 24, 2012; the Exhibit number is 00858. And on page 2 of this presentation it explains how SNC's – the December 2011 estimate for EPCM hours was 5.5 million –

MR. LEMAY: Mm-hmm.

MR. COLLINS: – hours. And on page 4, it says: "Unacceptable expectations for EPCM ... The Project will not pass through DG3."

MR. LEMAY: Mm-hmm, I have never seen that.

MR. COLLINS: And this is not a message that ever came to you in any way?

MR. LEMAY: No.

MR. COLLINS: And so you had no idea that if you – if your estimate had been a billion dollars higher, you would've had no idea that that could possibly affected sanction?

MR. LEMAY: Nobody ever told me that.

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PAUL LEMAY

MS. O'BRIEN: Are you generally aware that when they're making decisions about whether or not to sanction a project, one of the things they're looking at is what's the estimate of what it's going to cost?

MR. LEMAY: Repeat that again?

MS. O'BRIEN: Are you aware that when decisions are being made about whether to sanction a project or not –

MR. LEMAY: Mm-hmm.

MS. O'BRIEN: – one of the things – one of the key things they're looking at is what's the estimate of how –

MR. LEMAY: Well –

MS. O'BRIEN: – the project's gonna cost?

MR. LEMAY: – I assume, you know, that the people who are hiring us – Nalcor in that case – you know, have their own budget and they hoped, you know, that it will come within their prediction – their prevision.

And they're probably saying themselves, we hope they're gonna come with a number closer to our budget. But they don't come to us tell us that. But I assume that they have it. It's like if I asked you to come to me and say: I'd like to buy a house. What is your budget, you know?

MS. O'BRIEN: Right.

MR. LEMAY: And, okay, I'll try something to fit your budget. But, of course, you know, it's ...

MR. COLLINS: Do you know – if your bid was too low, would there be any consequences for SNC-Lavalin?

MR. LEMAY: I'm not aware about that.

MR. COLLINS: So you don't know if there'd be any financial cost? Do you know if SNC-Lavalin has experienced any financial cost – if it's had to pay anything – because the estimate was in fact lower than what happened?

MR. LEMAY: I'm not aware of nothing about that.

MR. COLLINS: And what about if the estimate was too high? What would happen to SNC-Lavalin if the estimate was too high?

MR. LEMAY: You have to see in the contract of SNC-Lavalin what it's written there. But I never seen the –

MR. COLLINS: So you –

MR. LEMAY: – contract.

MR. COLLINS: – couldn't even –

MR. LEMAY: I'm not at this level at all.

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PAUL LEMAY

MR. COLLINS: And so you wouldn't even guess that if the estimate was too high the project wouldn't be sanctioned? That wouldn't enter into your mind?

MR. LEMAY: No.

MS. O'BRIEN: It never would occur to you that if the cost was too high that –

MR. LEMAY: Oh, well, I'm not totally, you know, stupid. Of course, if we're gonna end up, you know, three times their budget, of course they will have no project. But I have not made my estimate –

MS. O'BRIEN: Based on –

MR. LEMAY: – in that thing in my mind.

MS. O'BRIEN: I can understand.

MR. LEMAY: I came to do the estimate for what I see of the drawing and said, this is what it should cost compared to what I know, here in these past projects. And, to me, this is what it should be – should cost.

MR. COLLINS: Okay. Thank you.

I have a few other points. One is – this is a – the indirect hours. So if I add – if I divide – I just wanna – if I go into your – this Basis of Estimate, which has not proved a very reliable guide, so far, to what happened –

MS. O'BRIEN: P-00861.

MR. COLLINS: P-00861. If I go into P-00861, on page –

MR. LEMAY: Oops, excuse me.

MR. COLLINS: – 62.

MS. PROULX: C'est dans les documents.

MR. LEMAY: C'est mal classé.

MR. COLLINS: – for example.

MS. PROULX: (Inaudible.)

MR. COLLINS: (Inaudible) Nalcor Basis of Estimate. I've got the wrong place. Give me a moment to find the right place. I'd prefer to use this one – Nalcor.

(Inaudible) – page – here we are.

So, to start with, on page 48 of this document – the section outlining the project indirect costs. And there's a list of them: there's the main access road to the Muskrat Falls site; other access roads; and then the next page, we get construction camps; construction –

MR. LEMAY: Mm-hmm.

MR. COLLINS: – and operations for –

Pages 86 – 97

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