

From: [Richard Noble](#)
To: [David Steele](#)
Cc: [Aman Gill](#)
Subject: Draft Responses to Potential Nalcor Questions
Date: Wednesday, April 2, 2014 5:58:00 PM
Attachments: [NL Government -Draft Responses to Potential Questions from Nalcor v3.docx](#)
[image001.gif](#)

Hope this helps.

Would really rather be there.

Cheers,

R

From: David Steele
Sent: April-02-14 2:45 PM
To: Richard Noble
Cc: Aman Gill
Subject: RE: Contract

Thanks Richard, I am logging off shortly for a couple of hrs... wasn't sure of your accessibility.

Dave



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From: Richard Noble
Sent: April-02-14 3:43 PM
To: David Steele
Cc: Aman Gill
Subject: RE: Contract

I will turn something back to you in an out an hour.

From: David Steele
Sent: April-02-14 12:41 PM
To: Richard Noble
Subject: RE: Contract

Hi Richard,

Your email is well served. I just talked with Paul.... he indicated that the first Oversight Committee meeting is tomorrow and they are somewhat divided on this meeting request from Nalcor. Some are thinking, yes, let's go and meet with them without EY. Others are thinking they should reject it and indicate a preference for us to join the meeting with them. At the end of the day, Paul thinks that they will likely accept the meeting. He has asked us to provide a set of Q&A that will prep the team going into the meeting. What you have below is a start. In this context, would you be able to review/ refine your list below and send along to me and I will circulate to Paul with a cc to you?

Thanks,
Dave



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From: Richard Noble
Sent: April-01-14 5:09 PM
To: David Steele
Subject: RE: Contract

I expect Nalcor may indeed say:

- a) Why do you want all this stuff... it looks like Project Management... we (Nalcor) are doing that... you should just check if we're being prudent with your money
- b) What would you do with this information anyway if you found a problem
- c) You (OC) have have been set up by consultants looking for a pay cheque by providing overkill oversight of material already covered
- d) Why do you need consultants anyway
- e) This will take too much time creating new information

The responses should be:

- a) The Premier has made it clear we will put in state of the art oversight that will keep government informed on whether the project is being well managed and will deliver on time and on budget. This state of the art oversight for the people of NL is our mandate. This means we need this information... not just the historical expenditures and brief discussion provided to date to judge prudence.
- b) If we identify a potential problem we will i) verify the facts with you, ii) notify the government so that they can make what preparations are required from their side including communications/financial iii) Discuss resolution with you in a proactive manner... this way the oversight benefits both parties... by contrast the lack of this oversight could leave us both with unmanaged

- c) We commissioned the Third Party assessment to help define required to meet our mandate... the consultant helped focus rather than expand that mandate and has placed a heavy emphasis on an efficient oversight function that uses NL Government as well as specialist consulting resources where required.
- d) Consultants will provide specialist expertise where the government does not have the background... this includes understanding and qualifying the issues raised... the people we will bring in have Eng, Proc/Contracts and Construction Management expertise as well as big programs expertise in the same league as LCP... they also bring a respect of the work you do.
- e) The team has only asked for information they believe you have already available to manage the projects. It of course assumes you are using better practices in project management.

From: David Steele
Sent: April-01-14 1:50 PM
To: Richard Noble
Subject: FW: Contract

FYI



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From: Morris, Paul J. [<mailto:pmorris@gov.nl.ca>]
Sent: April-01-14 1:39 PM
To: David Steele
Subject: Re: Contract

Thanks Dave - I'll get back to you.

Paul

Sent from my BlackBerry 10 smartphone on the Bell network.

From: David Steele
Sent: Tuesday, April 1, 2014 12:33 PM
To: Morris, Paul J.
Subject: RE: Contract

Thank you Paul. If there are speaking notes or support we can provide in preparation, please let us know. I have a few ideas... the key will be the ability to state the mandate and related committee objectives (historical and forward looking) and link them (at a high level) to the information request list. Basically, they may ask the question "why" these items?

Please let me know where we can support, it will be no problem.

Dave



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From: Morris, Paul J. [<mailto:pmorris@gov.nl.ca>]

Sent: April-01-14 11:39 AM

To: David Steele

Subject: Re: Contract

Dave - the request is for Government - they want to understand the committee's mandate better.

Paul

Sent from my BlackBerry 10 smartphone on the Bell network.

From: David Steele

Sent: Tuesday, April 1, 2014 11:25 AM

To: Morris, Paul J.

Subject: RE: Contract

Thanks for the update Paul.

Do you feel that it would be beneficial for Government to have EY accompany them at this initial meeting on Friday or is the request from Nalcor asking for Government only? This will also help me plan for Friday.

Thank you,

Dave

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From: Morris, Paul J. [<mailto:pmorris@gov.nl.ca>]
Sent: April-01-14 9:40 AM
To: David Steele
Subject: Re: Contract

Dave,

Provincial gov't offices are closed this morning, announcement at 11:00. I heard back from Nalcor last evening. They want to meet with gov't on Friday to discuss - that's not confirmed yet. It's a safe bet that your session with them will not be this week - possibly next week. Will get back to you when I have something more definitive.

Paul

Sent from my BlackBerry 10 smartphone on the Bell network.

From: David Steele
Sent: Tuesday, April 1, 2014 9:15 AM
To: David Steele; Morris, Paul J.
Subject: RE: Contract

Morning Paul. I hear there is horrible weather in St. John's this morning.

Have you heard from Nalcor? We really need a call on this before noon if possible. Please let me know what you find out. Thanks.

Dave

From: David Steele
Sent: Monday, March 31, 2014 9:02:30 PM
To: Morris, Paul J.
Subject: RE: Contract

Thanks Paul,

If you can send another prompt to them that would be great. We need to make sure we plan around the days selected for travel (I am currently in Halifax and trying to decide whether I come back) and other client commitments. Thanks!

Dave



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From: Morris, Paul J. [<mailto:pmorris@gov.nl.ca>]

Sent: March-31-14 2:24 PM

To: David Steele

Subject: Re: Contract

Thanks Dave.

Still waiting to hear back from Nalcor.

Sent from my BlackBerry 10 smartphone on the Bell network.

From: David Steele

Sent: Monday, March 31, 2014 2:32 PM

To: Morris, Paul J.

Subject: RE: Contract

Hi Paul.

Yes, this is fine.

Dave

From: Morris, Paul J.

Sent: Monday, March 31, 2014 6:50:50 PM

To: David Steele

Subject: Contract

Dave,

Would this Scope of Work be sufficient for the contract? If you wish to add, please feel free.

Thanks.

Paul

SCHEDULE "A"
SCOPE OF WORK

The Consultant shall complete the work and/or perform the following services:

Advisory Services

The Consultant is expected to provide Advisory services in order to finalize the draft report that was submitted to Government on March 21, 2014 regarding a proposed cost accountability/project oversight protocol related to the Muskrat Falls Project.

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Potential Questions & Answers

Briefing Notes Ahead of NL Government’s Discussions with Nalcor

April 4 2014

Potential Questions	Suggested Answer
<p>a) Please explain your mandate and why you want all of this detailed data?</p>	<ul style="list-style-type: none"> • The Premier has made it clear we will put in state of the art oversight that will keep government informed on whether the project will deliver on time and on budget and whether it is being well managed • Providing this state of the art oversight for the people of NL (who are back stopping the cost of the project and the power it ultimately delivers) is the Oversight Committees mandate. • This means we need information to show that the project is performing to plan and estimates, using/complying with the necessary processes and controls and is accurately reporting the status. • “In God we trust... all others must bring data” (Demming) • The data we’ve requested captures the necessary information so that we can analyze it and both actively and proactively identify and report to Government the risks, challenges and issues.
<p>b) What was wrong with what we were previously providing?</p>	<ul style="list-style-type: none"> • While we appreciate what has been provided, the information we had seen to date is not sufficiently comprehensive to meet our mandate. It lacked <ul style="list-style-type: none"> a. The performance information (e.g. Earned Value Metrics) indicating how we were doing compared with baseline plans and estimates b. Forward forecast details on cost and schedule c. The discussion and analysis was at too high level to meaningfully discern how the project was going. • We also had little visibility into the full adequacy of the processes and controls beyond organizational assurances. • Bottom line... it was insufficient for us to: <ul style="list-style-type: none"> a. To meaningfully execute on our oversight mandate and b. Build both ours and the Government’s confidence in the program

Potential Questions	Suggested Answer
<p>c) This level of detail looks like you want to have a role in managing the Project ... we (Nalcor) are doing that... indeed it is a big part of what we do for a living... surely your role should just be checking if we stick to our mandate and have been prudent with your money?</p>	<ul style="list-style-type: none"> • Our role is definitively not to manage the project nor would we ever try to do so. • We also fully respect that Nalcor has committed to managing the project with strong project management resources, processes and controls • However, the potential prospect of project cost and schedule overruns represents a significant risk to Newfoundland and Labrador... many projects run over • Furthermore, after the fact judgement on the prudence of costs incurred is <ul style="list-style-type: none"> a. By definition, “after the fact” and Government (both political and administrative) can’t afford to know after the fact b. It leaves us with little time to plan and respond c. It also means together we may find ourselves (NL Government and Nalcor) reactively in positions of conflict • Ultimately, prudence should indeed also be looked at... but our mandate is broader than just past-tense prudence.
<p>d) We have an IA department that does all that... why do you have to do it too?</p>	<ul style="list-style-type: none"> • We were impressed with the methodical nature of the planning performed your IA department and also the stated intent to start some of the oversight meetings within the Nalcor organization in the future • In addition we recognize that other bodies will be checking in on the program including Canada and the use of an Independent Engineer. • However, we looked at respective assurance mandates to come back with a proposed scope of oversight. We wanted to ensure that it: <ul style="list-style-type: none"> a. Met with the expectations of the Government and people of NL b. Addressed our own key risks and concerns c. And also fits with/minimized the overlap with what other assurance activities are being done • We would expect to refine that oversight to ensure it is efficient once we have all of the information we requested.

Potential Questions	Suggested Answer
<p>e) What would/could you do with this information anyway if you found a problem?</p>	<ul style="list-style-type: none"> • We would look forward to fully defining effective protocols between OC and Nalcor as a part of our next steps. • However, tentatively, if we identify a potential problem we will <ul style="list-style-type: none"> a. Verify the facts with you, b. Discuss resolution with you in a proactive manner c. Notify the Government so that they can make what preparations are required from their side d. This may include communication actions and financial planning/preparations • This way the oversight benefits both parties. By contrast the lack of this oversight approach could leave us both with either unmanaged or reactively managed risks and disputes
<p>f) Are you confident that you are not being “over advised” by your consultants ... this looks like “oversight overkill” looking at material we have already covered?</p>	<ul style="list-style-type: none"> • We commissioned a Third Party assessment by EY to help define our mandate and what data was required to meet it. • EY have provided program assurance in hundreds of mandates world-wide and for projects of the same scale and type as LCP. • They are also seasoned program/project managers, engineers, procurement/commercial and construction managers with the back of a big name. • The consultant helped focus rather than expand that mandate and has placed a heavy emphasis on an efficient oversight function that uses NL Government as well as specialist consulting resources where required. • They also stressed the importance of maintaining respect and the need to allow Nalcor management to manage and deliver on the project.
<p>g) Where has this type of Government Program Oversight /Program Assurance been done before?</p>	<ul style="list-style-type: none"> • Oversight of government funded major capital projects is done world-wide... same is true in private sector. • The assurance role has moved from the traditional “double checking of invoices and expenditures” to doing precisely the type of oversight we now want on this project • This is being done on initiatives ranging from Power Generation projects to multi-national mining projects to building the infrastructure for the Olympic Games <p>(By the way... members of specifically EY Canada’s MCP team has done this in these scenarios)</p>

Potential Questions	Suggested Answer
<p>h) Does the Oversight Committee have the technical ability to use the information?</p>	<ul style="list-style-type: none"> • Based on our assessment two weeks ago, we had already decided to constitute a working group reporting to the Oversight Committee to ensure we have sufficient technical capability • Carefully selected government represented teamed with our consultants will provide specialist expertise where the OC does not have the necessary background • In addition to specialist analysis, their role will include understanding and qualifying any issues raised... this is so that we don't have "misses, misfires or unnecessary fires" • The people we will bring in have Engineering, Procurement/ Contracts and Construction Management expertise as well as big programs management expertise all in the same league as LCP • They also bring a respect of the work you do which we felt was key to success
<p>i) Why do you need consultants?</p>	<ul style="list-style-type: none"> • This is among the largest, most complex and technically challenging projects that have faced the province. • It carries intrinsic risks and has a very high profile within government and beyond • The Consultants will bring Engineering, Procurement/ Contracts and Construction Management expertise as well as big programs management expertise in the same league as LCP • This will augment the provincial management and administrative expertise provided by the OC
<p>j) This may take our team too much time in creating new information?</p>	<ul style="list-style-type: none"> • It is not our intention to require substantial new data or reports. • To this end, we have specifically designed the requested list of information with the aim of being consistent with program/project management practices and reports in use on other large, complex major capital projects. • We also were able to partial verify that this information should be available through our discussions with Finance and IA and other published information that we have. • The majority of the content should also be familiar to SNC Lavalin and align with their own project control practices. • There may be some differences in name or definitions and we'd be happy to have our specialists sit with Nalcor's to discuss and refine this list