

From: [Richard Noble](#)
To: [Charles-Antoine St-Jean](#); [David Steele](#)
Subject: Government of NL/ Nalcor press
Date: Wednesday, April 16, 2014 9:59:09 AM
Attachments: [20140416-071521.pdf](#)
[image001.gif](#)

Dear Charles-Antoine,

This again confirms the profile of the work and further emphasizes the anticipated demand for strengthened oversight by the Government of Newfoundland and Labrador.

The Independent Engineer will work on behalf of/funded by the Federal Government. Their mandate is related more to Engineering decision making, the base estimates and plans and a more limited oversight mandate going forward.

We have advocated for the Oversight Committee staying informed using monthly checks on cost, schedule and related risks and issues, with quarterly full analysis and reporting by the OC.

We will press on and keep you informed.

R


Sent from my BlackBerry 10 smartphone on the Bell network.

From: David Steele <david.steele@ca.ey.com>
Sent: Wednesday, April 16, 2014 7:19 AM
To: Richard Noble; Aman Gill
Subject: FW: Scanned document from David.Steele@ca.ey.com

Gents,

The IE report was released publicly yesterday. As expected, front page news (along-side of “man bites of cabbie’s fingers”). There were two articles published (see attached), both will raise this on the political sensitivity agenda to white hot. This is why Government can’t just “rely” on the 2 reports per year from the IE. Fun times.

Dave

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From: David Steele
Sent: April-16-14 8:45 AM
To: David Steele
Subject: Scanned document from David.Steele@ca.ey.com

Muskrat Falls costs going up

*Nalcor Energy
won't release details
until all
major contracts set*

BY ASHLEY FITZPATRICK
THE TELEGRAM

Nalcor Energy president and CEO Ed Martin said Tuesday some costs relating to the Muskrat Falls hydroelectric project are running higher than expected and suggested the project's overall timeline is likely to change, but provided no further details.

In a roughly hour-long briefing with reporters at Hydro Place in St. John's — meant to frame the release of an independent engineer's report by MWH Americas — Martin was asked question after question about overall project costs, cost overruns and individual contract costs.

Committing to providing an updated, overall cost estimate for the power project at some point later this year, he would not commit to having the figure by the time the Crown corporation holds its annual general meeting in June, with its public question-and-answer period.

He committed to providing a "full picture" of the Muskrat Falls project when a detailed update on costs is provided, but would not



Ed Martin and Gilbert Bennett (right) speak to media Tuesday about the independent engineering report at Hydro Place in St. John's. — Photo by Keith Gosse/The Telegram

commit to providing the estimated cost for any one contract or overruns on any one contract.

Martin committed to explaining the reasons for any cost overruns as the project proceeds, but would not commit to providing the exact

amount or even ratios by which contracts run beyond their expected cost. On that point, he added he would confer with the project leaders to see what information could be released.

"On the \$6.2 billion, we are feel-

ing some cost pressure. And I can't go into too much detail on that, because I want to get past, as I mentioned, finalizing the various cost parameters," he said.

See REPORT, page A4
Related story, page A4

PEOPLE

CRIME

Passer bites cabby's finger

BY DEANA STOKES
THE TELEGRAM

A foreign exchange student from Pakistan at Memorial University was working part-time as a driver for a Co-op Taxi when he was severely injured early Sunday morning in St. John's, a company general manager said.

McCarthy said the student from Pakistan was a passenger in downtown St. John's and drove him to the intersection of Hamlyn Road and Hamlyn Road at a time that costs about \$15.

The passenger allegedly kicked in the door of the taxi without paying the driver, McCarthy said. The driver radioed dispatch for police and was told to call the police.

McCarthy said the passenger was found by a Newfoundland Constabulary officer, but by the time they arrived, the man had pulled the driver out of the car and assaulted him, biting his finger and hitting him with his fist.

"He has a broken collarbone and a broken thumb and forefinger," McCarthy said.

An ambulance took the driver to hospital and, McCarthy said, the driver was told it took five police officers to arrest the suspect.

Report posted on Nalcor website ... Continued from page A1

Martin went on to say productivity costs, particularly on large contract work in the province, have been a consideration.

"There will be an increase on the \$6.2 (billion)," he said of the overall project price tag.

He said a full picture of the project costs should include project financing in addition to capital cost and the savings achieved with the federal loan guarantee.

But the capital cost number is going up. The \$6.2-billion figure used by Martin is the standing estimate for the construction, not including the Maritime Link to Nova Scotia.

Meanwhile, a key factor in the federal government's awarding of a loan guarantee for financing of the Muskrat Falls hydroelectric project was a review of the project site, plans and estimates by an independent engineer.

Blacked-out sections

Nalcor Energy released the engineer's report, after obtaining approval from the independent engineering company — MWH Canada — and from the federal government.

Some information, considered commercially sensitive, was removed prior to the report's release, but, Martin said, those redactions will be revealed as time and project work allows.

The redactions were for the most part limited to dollar figures, with the large majority of the text made available.

The document was provided to reporters after the briefing with Martin and Nalcor Energy vice-president Gilbert Bennett. It was

also to be posted on the website for the project.

Martin said the report was used by the federal government in making the decision to award the loan guarantee. Its completion involved documentation review, interviews and site visits by MWH staff on Sept. 25 and 26, 2013.

The engineer issued general approval of much of the project to that point, stating industry standards are being maintained.

The company did, however, recommend Nalcor continue with planned studies on the sensitive clay around the so-called North Spur, saying the results should firm up the Crown corporation's geotechnical findings and decision-making to that point.

The report suggested Nalcor consider increasing its figures for expected annual maintenance and operation of the completed power works.

It also recommended an increased contingency, or cushion, for construction costs.

"With the concern Nalcor has expressed in the past regarding uncertainties surrounding the potential cost increase due to the competition for labor and key personnel, MWH believes that this concern could have been addressed in the cost estimate and reflected in the project schedule by including higher more customary contingencies and a lengthened project schedule," it states.

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With files from The Canadian Press

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The Telegram
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PROVINCIAL

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POLITICS

Opposition asks for figures on Muskrat Falls cost overruns

Blacked out pages of engineer's report cause concern in House

By JAMES MCLEOD
THE TELEGRAM

On Tuesday morning, Nalcor provided 209 pages of Muskrat Falls information in the form of an independent engineer's report, but just hours later the Liberals were in the House of Assembly demanding more information.

The independent engineer's assessment is a broad and mostly positive study done as part of the federal loan guarantee agreement, but Nalcor has meticulously blacked out sections of the report that might hint at cost overruns or delays, and that's exactly what Liberal Leader Dwight Ball wanted to know about.

"The CEO of Nalcor admitted today that the cost of Muskrat Falls is under pressure and that it will go up due to labour and material costs," Ball said, in his first question in the House. "I ask the premier: have you had any discussions with Nalcor about these increasing costs?"

Premier Tom Marshall said he's had conversations with Nalcor officials about project expenses, but he doesn't have an updated figure on how much the whole thing would cost.

Marshall was also on the defensive over the pages of blacked-out information in the independent engineer's report.

When the report was released Tuesday morning, the media was not provided with a copy of it until after Nalcor CEO Ed Martin finished speaking, so reporters were unable to ask questions about specific parts of the report which were hidden behind black ink.

Ball wanted to know why censors



Nalcor Energy CEO and president Ed Martin (left) and vice-president Gilbert Bennett speak to media Tuesday about the independent engineer's report regarding the hydroelectric project. — Photo by Keith Gosse/The Telegram

had blocked information about how much electricity the dam will produce.

"Some things around a project the size of this is justified as being commercially sensitive. Blacking out how much power Muskrat Falls will produce just does not make any sense," he said. "I ask the premier: you stated many times in this House that Muskrat Falls will produce 824 megawatts of power, so why is this information blacked out in the engineer's report?"

Later in the afternoon, a spokeswoman for Nalcor said the average output of the dam — 824 megawatts — is public information, but when it

comes to a detailed breakdown of how much electricity is generated under "various scenarios," it becomes secret.

The issue, it seems, is that if Nalcor is selling power into the North American market, and competitors know how much electricity the dam can generate under a variety of circumstances, that could potentially prevent the company from getting the highest possible price.

Unnecessarily secretive

Ball told reporters he doesn't think what Nalcor is holding back should be kept secret.

"This is not commercially sensi-

tive information. We have a right to know," he said.

The bigger issue, though, was the total cost to build Muskrat Falls and the associated transmission lines.

Martin doggedly refused to say how much it's going to cost, and he said he won't provide any sort of update until all the major contracts have been awarded.

He did, however, hint that some aspects of construction cost are coming in higher than originally estimated, and the project might not be finished in 2017 as planned.

Natural Resources Minister Derrick Dalley said that makes perfect sense, and if they can space out the

work evenly so it's not as expensive to build the dam, Nalcor will go that route.

NDP Leader Lorraine Michael also tried to get more details about cost overruns out of the government Tuesday, without much luck.

She said it's no surprise that some of the project costs are coming in higher than originally forecast. She pointed out that she's been asking about this for months.

"I was mocked by the premier of the day and the minister, and what we have now is a validation of the questions I asked in December and the concerns I raised," Michael said. "We have no idea how much over they are, and it's going to continue to be like this. I have absolutely no doubt."

In Nova Scotia, Energy Minister Andrew Younger said news of the possible delay completing construction of Muskrat Falls would have "zero impact" in his province in terms of cost or delivery of power.

Younger said that's because under the project agreement, a delay requires Nalcor to deliver its promised allotment of energy by some other means or reimburse Nova Scotia Power for the cost.

He said the cost overruns relate to the dam project and have nothing to do with the construction of the subsea cables between Newfoundland and Cape Breton.

"The Maritime Link remains within the budget approved by the (Nova Scotia Utility and Review) Board and it remains on schedule," said Younger.

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With a file from The Canadian Press