

From: [David Steele](#)
To: [Richard Noble](#); [Charles-Antoine St-Jean](#); [Paul Hickey](#); [Jim Lutes](#)
Subject: Muskrat Falls - Risk Profile.pptx
Date: Thursday, January 22, 2015 6:37:48 PM
Attachments: [Muskrat Falls - Risk Profile.pptx](#)

Gents,

For our discussion tomorrow, it is a little rough, but should facilitate.

Thanks,
Dave

Muskrat Falls Oversight

Engagement Risk Profile Discussion

23 January 2015



Muskrat Falls Oversight

Background

There are one or two conditions that should be met in order for the Oversight Committee to effectively execute its mandate of providing oversight to the cost and schedule performance of the project:

1. Level of information provided to the OC on a monthly/ quarterly basis does not provide the ability to independently assess Cost and Schedule performance.
2. A scope of work that focuses on the interrelated processes of Cost, Schedule, Scope and Risk management and related reporting process would provide an underlying foundation for relying on the summary information reported to the OC (i.e. that the processes used to generate that information are designed effectively and are operating effectively to report complete and accurate information to the OC).

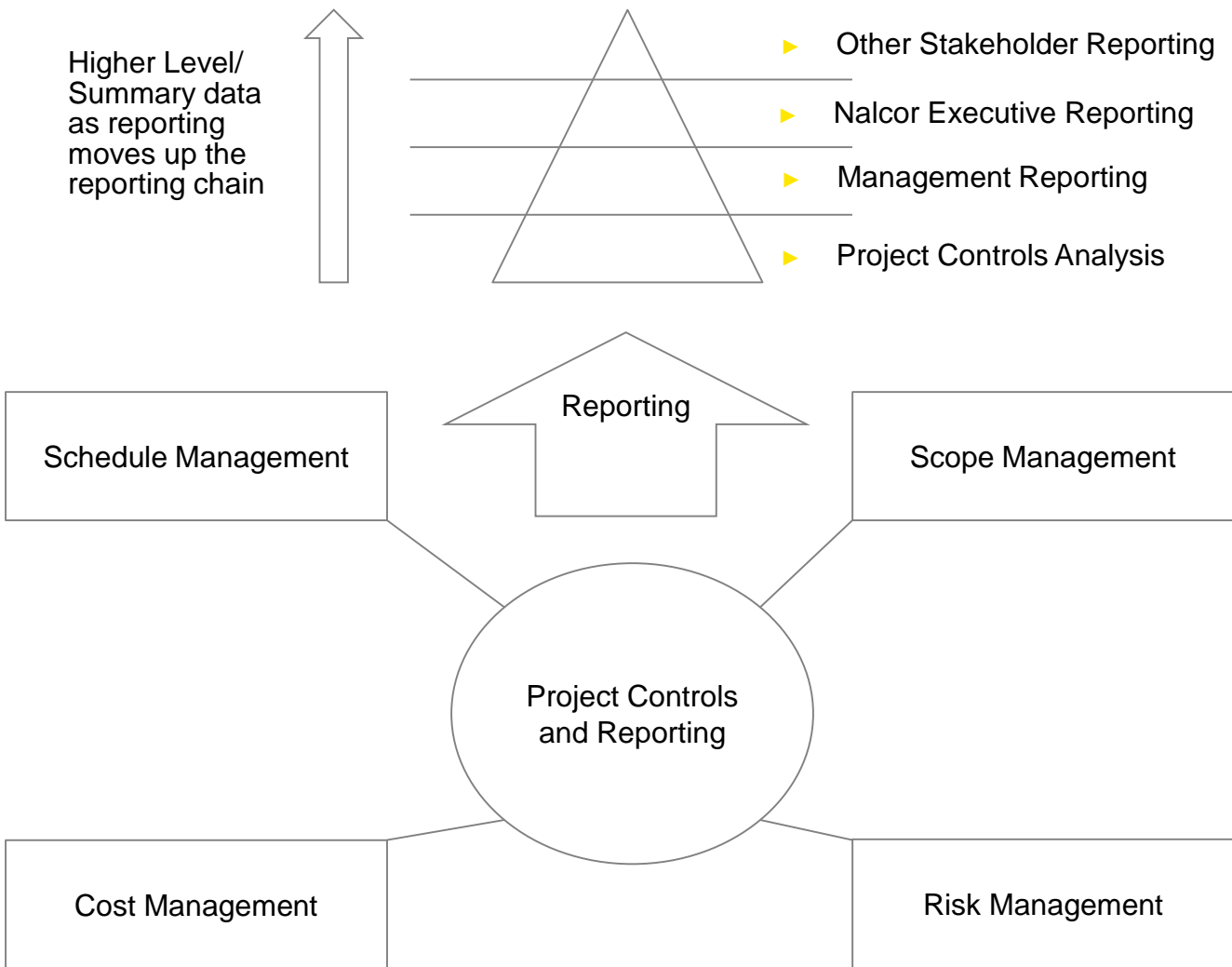
Since our initial engagement report June of 2014 (Oversight Protocol), when we recommended the list of items related to # 1 above, the OC have not been able to obtain such information. They have been restricted to summary reports prepared for external stakeholders.

We since submitted a proposal to Government and have been appointed as the Oversight Committee's independent advisors. In that proposal we recommended that as a first step, the OC engage EY to perform an assessment of Project Controls and Reporting over Cost, Schedule, Scope and Risk Management (# 2 above).

In their last report (December 2014) to the public, EY requested that our name be removed from the report due to concerns about either of the above conditions not being met. The OC agreed and removed reference to EY and also followed our recommendation to include a statement that EY would be engaged to perform such a review (# 2 above) to give the OC assurance over the completeness and accuracy of the information reported to them.

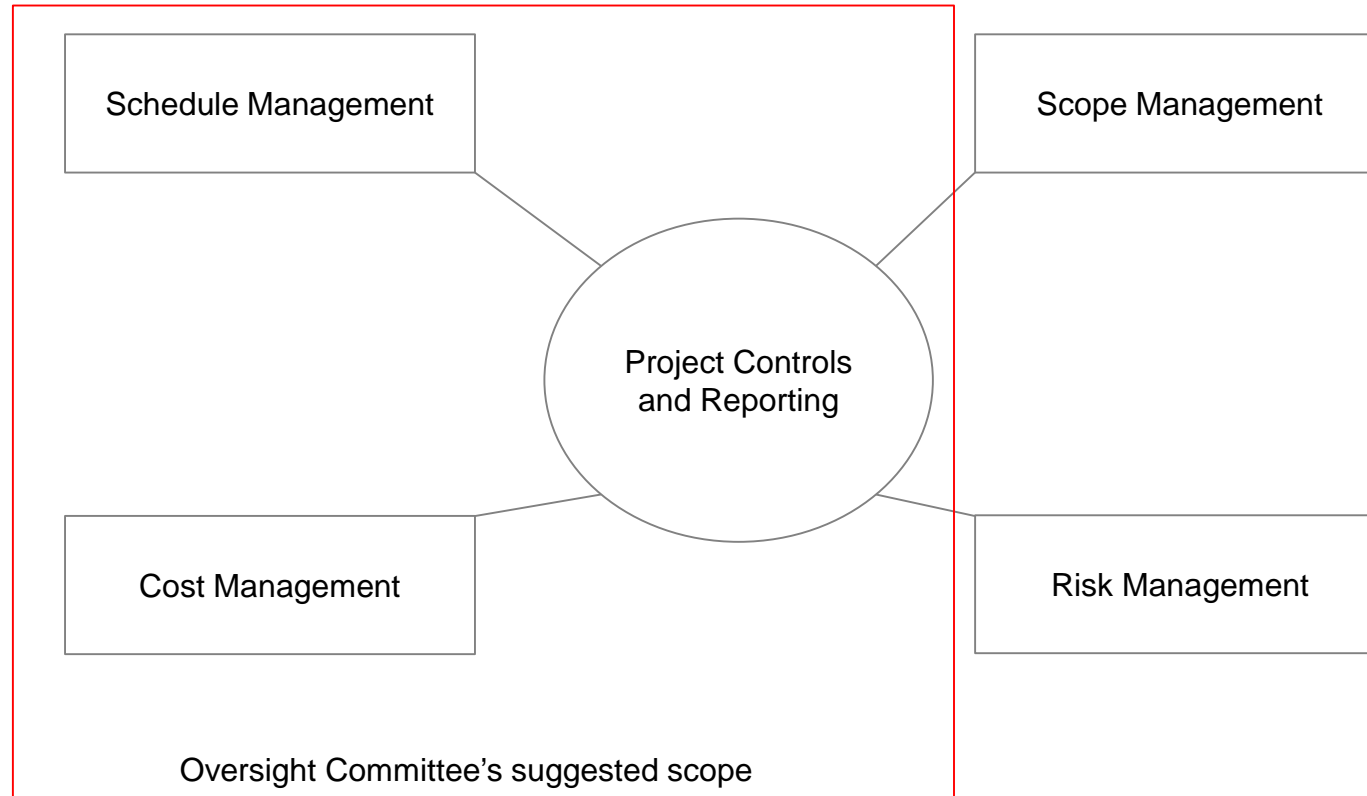
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Overview of Project Controls



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Engagement Risk Profile Discussion



Due to the fact that the scope and risk management information is very sensitive and that Nalcor IA in the in the process of reporting on cost and schedule, the OC have requested that EY perform a scope that does not include Scope and Risk Management processes and does not include the provision of relevant scope (change management) and risk logs/registers.

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Risks and implications

Without access to Scope and Risk processes or access to related Scope and Risk registers, it is not possible to perform a scope of work that meets the objective of giving the OC comfort over the completeness and accuracy of cost and schedule information reported to them by Nalcor.

Options:

1. Negotiate a complete scope of work – all elements of Project Control (not likely based on OC's current position)
2. Negotiate a Scope of work that includes access to risk and scope logs (not evaluation of processes)
 - Would require a follow on scope of work to assess Scope and Risk Management processes in the future, while considering the work that Nalcor IA has performed

Note – this has significant limitations (scope and reliance) that would need to be explicit in the report, and would likely involve significant back and forth with Nalcor to get a report finalized
3. Wait until IA reports are released, measure the reliance that can be placed, and develop a refined scope of work that will meet the review objectives
 - Not sure the Government is interested in this, as they want a scope of work completed or at least in progress by the time their next report is released

Overall risks to consider:

- We are associated to the OC and their mandate.
- We currently believe they are placing undue reliance on the information provided by Nalcor
- They do not appear to be willing or able to negotiate a full mandate to meet their purposes

Mitigation:

- Appropriately qualify our report and limitations

Residual reputational risk:

- Regardless of how well we qualify individual reports, we are associated and if this project runs into significant overruns, media and opposition attention will focus on the fact that the OC and their independent advisors EY) did not do their job