

From: [Michael Kennedy](#)
To: [David Steele](#); [David Leather](#); [Paul Hickey](#); [Tim Calver](#)
Subject: RE: Prep discussion for SM - CEO
Date: Sunday, May 1, 2016 9:44:00 PM
Attachments: [Nalcor CEO briefing 24.04.2016 v1.pptx](#)

Hi everyone. I thought it would be useful to lay out some thoughts for the call tomorrow. If for no other reason, I reread all of the material this afternoon and tried to crystalize some key messages we may want to get across. Before that and from an EY perspective only, THE BIG GOAL is positioning us for further on-going work to support the project and Nalcor going forward. As Paul, David and I discussed on Tuesday in St John's, Nalcor is potentially a \$10m plus per year client over the next 10-15 years. We have an opportunity with a brand new CEO, to make ourselves the strategic advisor for them as Nalcor focuses on unlocking resource based value for the Province. Stan I would imagine wants to do this for 2-3 years tops, so he will be looking to hand pick a successor fairly quickly I would think. While this is a self-serving statement, we can reflect on being successful already in assisting government and can feel confident that we have a role to play going forward. With this goal in mind, I suggest three targets that we need to achieve with Stan for this call and in the immediate follow up.

- 1) Convince him that he needs to meet with us face to face or by video con, as soon as practical. While being direct and to the point with answers to his questions, we should be careful not to give away too much during this initial call and negate the opportunity for a full briefing.
- 2) We need him to form a view that EY in Canada is coordinating this effort and we have brought our best leaders globally to this. I say that because Nalcor and Govt will tire of our fee profile and you can bet that the Premier has already chirped to Stan about the cost of our services. So in the right way and at the right speed we need to transition this relationship to a local team in place.
- 3) If he is in Calgary for the next numbers of weeks, lets make the suggestion to get him into our office there and have a proper debrief by video con, where we can lay out all of the materials.

Key messages for the call:

- 1) Introductions – we should be clear, what our role is and where we are located
- 2) We should ask him what he would like to achieve during the call – its an hour I presume
- 3) Themes - I thought the attached extracted slides from Tim provide a good talk track to the points raised
- 4) Governance – obviously this piece is easier with the change of CEO / Board.

- We could offer that we have ideas on how to implement a robust challenge function and independent oversight
 - We could offer that have a suggested model for a complete rebuild of the process for forecasting cost and schedule performance through assessment of risk
- 5) Project Leadership
- Mid ranks of the project team are capable and performing well
 - Project Director is a problem and is very much part of the old regime
 - Need for a commercial director to lead negotiations with Astaldi. Lance can provide useful background / context, but is unlikely to be capable with Paul of solving the problem
- 6) Astaldi options analysis
- Point out that we never received much cooperation or access to information from Nalcor
 - We have not seen the commercial position presented by Astaldi
 - We looked at all the options and concluded a commercial dialogue with them was the best approach, which may involve cash infusion.
- 7) Cost / schedule
- He may ask our opinion on where we think this is heading. Suggested talk track “obviously the biggest variable is the Astaldi contract. That said what we have seen gives us a sense that the outturn cost of the project will be north of \$9bn”
- 8) Updated report
- Not sure we want to ask this question, but we may get insight into the need for an updated report.

Hope this helps. Mike

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From: David Steele

Sent: Sunday, May 01, 2016 6:38 AM

To: David Steele; David Leather; Paul Hickey; Tim Calver; Michael Kennedy

Subject: Prep discussion for SM - CEO

When: May-02-16 9:30 AM-10:30 AM (UTC-03:30) Newfoundland.

Where: Call details to follow