

**From:** [David Steele](#)  
**To:** [Mullaley, Julia](#)  
**Subject:** Time sensitive - response requested  
**Date:** Thursday, June 9, 2016 5:16:59 PM  
**Attachments:** [Muskat Falls Oversight - CEO Briefing and Next Steps RE Final Report.pdf](#)  
[image003.jpg](#)  
**Importance:** High

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Hello Julia,

I hope you are doing well. I'm sending this message along to you with a high level of urgency. As you know we met with Mr. Stan Marshall yesterday on June 8, 2016.

In recognition of the Premier's public commitments of a final report to be issued by EY and Section 3.6 of EY's Interim Report dated 8 April 2016 stated that "*EY will assess the reasonableness of Nalcor's reforecast cost & schedule once it is completed and will update this report accordingly, ...*", we are proposing a course of action in this document to meet those commitments.

Mr. Marshall advised us yesterday that EY will be given full access to whatever information or personnel that we require to do the work that will underpin our report on the reasonableness of the Updated Forecast. If we authorized to start our work early next week, we can issue the report by the end of June, simultaneous with Nalcor's public release of the Updated Forecast. A timeline and fee estimate for this scope of work is provided on the attached page.

We would appreciate an indication from you tomorrow if possible (or asap), as we would have to mobilize our team and issue a document request list early next week. Thank you.

Regards,

David

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# Muskrat Falls Cost and Schedule Forecast

Update Arising from Nalcor CEO Briefing and Recommendation for Next EY Report

June 2016



June 9, 2016

Julia Mullaley  
Clerk of Executive Council  
Government of Newfoundland and Labrador

Further to our previous communications, EY team members David Leather, Paul Hickey, Michael Kennedy, and Tim Calver had an extended meeting on 8 June 2016 with the new CEO of Nalcor, Mr. Stan Marshall. It was a positive discussion with a focus on forward looking initiatives designed to improve the project itself. Mr. Marshall also provided an outline of the status of the Astaldi issue.

Mr. Marshall advised that Nalcor is in the process of finalizing an updated cost and schedule forecast for the Muskrat Falls project (the "Updated Forecast"). It potentially has a significant degree of variability pending the actual outcome of the Astaldi issue.

Mr. Marshall plans to present the Updated Forecast Nalcor's Board of Directors on Tuesday 14 June 2016 and then to Government in time for the Cabinet meeting scheduled for 23 June 2016. Should Cabinet approve the Updated Forecast, he then intends to release the Updated Forecast to the public by 30 June 2016 as he had previously committed.

In recognition of the Premier's public commitments of a final report to be issued by EY and Section 3.6 of EY's Interim Report dated 8 April 2016 stated that *"EY will assess the reasonableness of Nalcor's reforecast cost & schedule once it is completed and will update this report accordingly, ..."*, we are proposing a course of action in this document to meet those commitments.

Mr. Marshall advised us yesterday that EY will be given full access to whatever information or personnel that we require to do the work that will underpin our report on the reasonableness of the Updated Forecast. If we authorized to start our work early next week, we believe that we can issue our report by the end of June, simultaneous with Nalcor's public release of the Updated Forecast. A timeline and fee estimate for this scope of work is provided on the attached page.

If you see benefit in EY issuing its report on the reasonableness of the Updated Forecast at the end of June, we would have to be authorized to start work as soon as possible so that we can make the best use of the time to 30 June 2016. We will need all of that three week period to do our work and finalize our report. We look forward to your direction on this matter.

Sincerely,

David Steele  
Partner

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## Timeline

- ▶ Week 1 (week of June 13<sup>th</sup>) - EY to provide Nalcor with Preliminary Information Checklist and Nalcor to start providing EY with requested information. EY's work during Week 1 would be a desktop review at EY offices of materials provided.
- ▶ Week 2 (week of June 20<sup>th</sup>) - EY team will be on-site at Nalcor's offices in St John's during Week 2. Time will be spent with Nalcor's project team (perhaps 1-2 days) having face to face discussions in a workshop format and including key consultants, e.g., Westney.
- ▶ Week 3 (week of June 27<sup>th</sup>) - EY issues its report on the reasonableness of the Updated Forecast and the progress being made in implementing the recommendations contained in the Interim Report.
- ▶ There are three weeks between today and 30 June 2016. All of that three week period will be needed to do our work and finalize the report if it is to be issued on 30 June 2016.

## Estimated Cost

- ▶ \$165,000 - 190,000 professional fees
- ▶ Out of pocket expenses will be charged at cost

## Deliverable

- ▶ The EY report will be similar in format to the Interim Report but less detailed. It will provide EY's conclusion on the overall reasonableness of the Updated Forecast and high-level comments on implementation of recommendations from EY's Interim Report. It will not provide detailed comments on each underlying components of the Updated Forecast or each recommendation.
- ▶ **Qualification** - We understand from our discussion with the CEO of Nalcor that the Updated Forecast will be qualified in respect of the quantification of the implications of the Astaldi issue. EY's report will, of necessity, be similarly qualified.