

**From:** Paul Hickey  
**To:** [Jim Lutes](#)  
**Cc:** [Barry Munro](#)  
**Subject:** RE: Muskrat Falls Project  
**Date:** Wednesday, March 22, 2017 1:40:00 PM  
**Attachments:** [image001.gif](#)

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Sounds good.



**Paul D Hickey KC\*SG, CPA, CA, CIRP, LIT**  
Senior Vice President | Transaction Advisory Services

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**From:** Jim Lutes  
**Sent:** Wednesday, March 22, 2017 1:34 PM  
**To:** Paul Hickey <[paul.d.hickey@ca.ey.com](mailto:paul.d.hickey@ca.ey.com)>  
**Cc:** Barry Munro <[barry.g.munro@ca.ey.com](mailto:barry.g.munro@ca.ey.com)>  
**Subject:** RE: Muskrat Falls Project

I think we should have two codes yes to recognize TAS and Advisory activity appropriately. When it gets signed, we can discuss how we quickly get that set up.

Jim



**Jim D Lutes FCA, FCPA, CF**  
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**I check email 2-3 times per day, if your matter is more urgent please call mobile number above.**

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**From:** Paul Hickey  
**Sent:** Wednesday, March 22, 2017 12:00 PM  
**To:** Jim Lutes <[jim.d.lutes@ca.ey.com](mailto:jim.d.lutes@ca.ey.com)>  
**Subject:** FW: Muskrat Falls Project

Jim,

See email below to Muskrat team. I called the Premier last week and as a result I met with the Clerk today. Looks like Muskrat is on again – full scope. New report on cost and schedule etc. and ongoing assurance and monitoring for at least 3 years. Fee for first report should be just under \$500K and fee for ongoing monitoring should be just under \$1.0 M per year.

Is TAS Atlantic still splitting the revenue from Atlantic major capital project/infrastructure work 50/50 with Advisory? Or, should we seek to open two codes like you are with some of your other projects that involve Advisory & TAS? I will leave all of that up to you.

Assuming this mandate gets inked, Steele and I think we will need to put a qualified person on the ground here to do much of the ongoing assurance work.

All the best.

Paul



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**From:** Paul Hickey

**Sent:** Wednesday, March 22, 2017 12:21 PM

**To:** Michael Kennedy <[Michael.Kennedy@ca.ey.com](mailto:Michael.Kennedy@ca.ey.com)>; Damian Joy <[Damian.Joy@ca.ey.com](mailto:Damian.Joy@ca.ey.com)>; Tim Calver <[tcalver@uk.ey.com](mailto:tcalver@uk.ey.com)>; David Steele <[David.Steele@ca.ey.com](mailto:David.Steele@ca.ey.com)>

**Cc:** Kirsten Tisdale <[Kirsten.Tisdale@ca.ey.com](mailto:Kirsten.Tisdale@ca.ey.com)>

**Subject:** Muskrat Falls Project

Hi guys,

I had a very good meeting with the Clerk (Bern Coffey). Effectively what he said is that they are ready get started with a proper process covering the full scope of work that we provided in our January deck, i.e.:

- 1) Review and report on status of implementation of recommendations from our April 2016 report.
- 2) Review reasonableness of new cost and schedule and related risks. This new schedule is expected to be ready in June.
- 3) Conduct ongoing assurance work as proposed, i.e., monthly desktop and quarterly on-site for the remaining duration of project.

It seems that the steps are as follows:

- 1) Draft scope of work and fee estimate
- 2) Review scope and fee with Bern
- 3) Review scope with Nalcor
- 4) Sign SOW and start work
- 5) Send info request list to Nalcor
- 6) Start working on status of implementation of recommendations (as soon as SOW is signed)
- 7) Start re-familiarizing and doing prep work on status of cost and schedule and related risks (as soon as SOW is signed)
- 8) Start work on June 2017 cost & schedule as soon as it is ready
- 9) Report on all above as soon as ready
- 10) Start monthly and quarterly ongoing assurance work immediately after issuance of report

He understands the need to review the proposed scope of work with Chair of Board, Chair of Audit Committee and CEO (and senior management) and to seek their input etc. before finalizing so that it becomes a productive and collaborative exercise if at all possible. In that regard, I told him we would prepare a scope of work for his perusal then for discussion with Nalcor as aforementioned.

Tim, when do you see daylight in your schedule again?

He also asked if we could check with our global P&U network to find out if we are aware of any other jurisdiction in the world that found itself in a situation like we have here in NL, i.e., a major P&U project incurring such large cost overruns that electricity rates had to almost double. He is interested in how that played out in the short and long term in that jurisdiction. Can one of you take it upon yourself to start the process to get request out there? Not sure if it should be by you Mike, or Kirsten, or both of you – or Tim??

I say strike while the iron is hot. Mike, will you take the pen on the first draft scope of the work and fee estimate? Can we get it to him by end of week?

I think the January Powerpoint that we gave them has most of what we need in it except I wouldn't split the fee for Phase A&B so cleanly this time. Just a fee for the first report (reasonableness of cost and schedule and related risks and implementation of recommendations) and then the (quarterly?) fee for the ongoing assurance work.

Likely we should have a call to discuss.

All the best.

Paul

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**From:** Michael Kennedy

**Sent:** Tuesday, March 21, 2017 8:13 PM

**To:** Paul Hickey <[paul.d.hickey@ca.ey.com](mailto:paul.d.hickey@ca.ey.com)>; Damian Joy <[Damian.Joy@ca.ey.com](mailto:Damian.Joy@ca.ey.com)>; Tim Calver <[tcalver@uk.ey.com](mailto:tcalver@uk.ey.com)>; David Steele <[david.steele@ca.ey.com](mailto:david.steele@ca.ey.com)>

**Subject:** RE: Muskrat

Thanks guys, I have been making the calls to see who is available (including Sam of course). Perhaps lets have a call after you are done tomorrow Paul.

As Tim mentioned, how Nalcor is set up for this is critical. There needs to be real alignment of the objectives and principles of collaboration for this to be a success, otherwise we will have a mini repeat of last year and we are going to be way out on fees from the 170K quoted for Step A in January.

On the point of Step A / Step B in our January proposal, it will be good to get Bern's confirmation that this makes sense. I hope they are not looking for a "check the box" exercise of EY updating the report (step a). We can only really validate reasonableness of cost and schedule by the on-going step b, which follows the initial piece of work in step a.

On timing, we have spoken previously about Nalcor providing information beforehand, allowing desk top review prior to a site visit.

Mike

**Michael Kennedy** | Partner | Canada Infrastructure Advisory Leader

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**From:** Paul Hickey

**Sent:** Tuesday, March 21, 2017 1:51 PM

**To:** Damian Joy <[Damian.Joy@ca.ey.com](mailto:Damian.Joy@ca.ey.com)>; Tim Calver <[tcalver@uk.ey.com](mailto:tcalver@uk.ey.com)>; David Steele <[david.steele@ca.ey.com](mailto:david.steele@ca.ey.com)>; Michael Kennedy <[Michael.Kennedy@ca.ey.com](mailto:Michael.Kennedy@ca.ey.com)>

**Subject:** RE: Muskrat

I fully agree Tim. That is the crux of future success. Try to get a win win win.

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**From:** Tim Calver <[tcalver@uk.ey.com](mailto:tcalver@uk.ey.com)>

**Date:** March 21, 2017 at 6:13:25 PM NDT

**To:** Damian Joy <[Damian.Joy@ca.ey.com](mailto:Damian.Joy@ca.ey.com)>, Paul Hickey <[paul.d.hickey@ca.ey.com](mailto:paul.d.hickey@ca.ey.com)>, David Steele <[david.steele@ca.ey.com](mailto:david.steele@ca.ey.com)>, Michael Kennedy <[Michael.Kennedy@ca.ey.com](mailto:Michael.Kennedy@ca.ey.com)>

**Subject:** RE: Muskrat

Hi Paul,

One thought....

We need to fully understand what has been discussed and agreed with Nalcor and how the interaction will work between the three parties. That way we plan to be set up for success.

Thanks

Tim

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**From:** Paul Hickey

**Sent:** Tuesday, March 21, 2017 8:34:35 PM

**To:** David Steele; Michael Kennedy; Tim Calver; Damian Joy

**Subject:** RE: Muskrat

I heard from Bern, the Clerk, this afternoon. I am meeting him at 10 am to discuss next steps. Please send along any thoughts you might care to share with me before then.

Thanks.

Paul

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**From:** Tim Calver <[tcalver@uk.ey.com](mailto:tcalver@uk.ey.com)>

**Date:** March 20, 2017 at 3:53:16 AM NDT

**To:** David Steele <[david.steele@ca.ey.com](mailto:david.steele@ca.ey.com)>, Damian Joy <[Damian.Joy@ca.ey.com](mailto:Damian.Joy@ca.ey.com)>, Michael Kennedy <[Michael.Kennedy@ca.ey.com](mailto:Michael.Kennedy@ca.ey.com)>, Paul Hickey <[paul.d.hickey@ca.ey.com](mailto:paul.d.hickey@ca.ey.com)>

**Subject:** RE: Muskrat

Hi All,

If it fits with your plans for resourcing, might be worth checking with Sam as he may have some availability.

Fingers crossed this moves forward.

Tim

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**From:** Paul Hickey  
**Sent:** Sunday, March 19, 2017 10:53:23 PM  
**To:** David Steele; Damian Joy; Tim Calver; Michael Kennedy  
**Subject:** RE: Muskrat

Thanks Mike.

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**From:** Michael Kennedy <[Michael.Kennedy@ca.ey.com](mailto:Michael.Kennedy@ca.ey.com)>  
**Date:** March 19, 2017 at 7:00:12 PM NDT  
**To:** David Steele <[david.steele@ca.ey.com](mailto:david.steele@ca.ey.com)>, Paul Hickey <[paul.d.hickey@ca.ey.com](mailto:paul.d.hickey@ca.ey.com)>, Damian Joy <[Damian.Joy@ca.ey.com](mailto:Damian.Joy@ca.ey.com)>, Tim Calver <[tcalver@uk.ey.com](mailto:tcalver@uk.ey.com)>  
**Subject:** RE: Muskrat

Thanks Paul, just back from spring break, so the timing is good. I will be talking to Damian tomorrow in any case. I will be in touch this week. Mike

**Michael Kennedy** | Partner | Canada Infrastructure Advisory Leader

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**From:** Paul Hickey  
**Sent:** Saturday, March 18, 2017 3:26 PM  
**To:** David Steele <[david.steele@ca.ey.com](mailto:david.steele@ca.ey.com)>; Michael Kennedy <[Michael.Kennedy@ca.ey.com](mailto:Michael.Kennedy@ca.ey.com)>; Tim Calver <[tcalver@uk.ey.com](mailto:tcalver@uk.ey.com)>; Damian Joy <[Damian.Joy@ca.ey.com](mailto:Damian.Joy@ca.ey.com)>  
**Subject:** Muskrat

I spoke to the Premier yesterday. I think our proposed mandate might be coming back onto the front burner.

Michael, might be a good idea to start thinking again about resources to do the work.

Paul