

From: Michael Kennedy
To: [David Steele](#); [Tim Calver](#); [Sam Wolyniec](#)
Cc: [Paul Hickey](#); [Damian Joy](#); [Neal Argent](#)
Subject: RE: Muskrat Review
Date: Tuesday, June 13, 2017 2:04:00 AM
Attachments: [image001.jpg](#)
[Mobilization - Update EY Muskrat Falls Report.pptx](#)

Dave, these are some thoughts on this..Sorry, I didn't get more chance to make this presentable, I had other deadlines today. Tim / Sam, in the interests of time, can you comment on below and attached and make some suggestions. For you Sam, I am hoping you can confirm availability.

As we discussed today, I can see us sending over the list below, plus organising for an in depth call with Charles Brown, plus John McIssac / Jim Meaney this / next week. Ideally we would do this as a video con, albeit that I am travelling away from EY offices until Thursday next week. The call should focus on process, documents required, plus interview list.

1. Documents required

As per deck. I re read the entire document suite today and couldn't see any additions to the list below, other than a request for an updated Org Chart with names

- ▶ UPDATED Documented response to prior report recommendations from Nalcor
- ▶ Any relevant updated project process documents (e.g. risk, forecasting, contingency management etc.). KEY WORDS HERE ARE RISK / CONTINGENCY
- ▶ Recent reports evidencing risk adjusted final forecast reporting
- ▶ Documents detailing current cost and schedule forecast
- ▶ Documentation of most recent QRA processes
- ▶ Quantitative report on contingency calculation and management
- ▶ Documented response to prior report recommendations from GNL
- ▶ Any documents relating to updated governance processes
- ▶ PLUS UPDATED ORG CHART, SHOWING NAMES FOR PEOPLE IN LOWER CHURCHILL MANAGEMENT COMPANY. We need to look at this org chart

2. Interview list. Request that these interviews be one on one. Damian and I will split these up. Damian will focus on the Astaldi component, Sam on the HVDC and other supply contracts. We really need to see the update project org chart to confirm any further additions to the list below.

- ▶ Nalcor Board – Brendan Paddick (Chair), David Oake (Chair of the Audit Committee), plus maybe Christopher Hickman
- ▶ Nalcor Executive Team – Stan Marshall, Derek Sturge, John McIssac (Jim Meaney), Gilbert Bennett
- ▶ GNL Oversight Committee – Charles Brown, plus Cory Grandy / Paul Carter, plus one of the independents and suggest its Jason Muise
- ▶ LCP Management Team – Paul Harrington, Lance Clark, Ed Bush, Jason Kean, Scott O'Brien, Anthony Embury, Ron Power, plus package managers for the following contracts:

- ▶ Andritz, Valard, Barnard Pennecon, Alstom (various components, Gilberts (North Spur)

3. Team mobilisation

- ▶ Damian and I are OK to be on site July 5th. Sam please comment on whether this is doable. I would plan on spending the following 10 days in St John's. We have one clash with a potential manager in Calgary who is sitting an exam on July 5th, we are looking at an alternative.
- ▶ We would expect July 5th to receive a full project update briefing from Nalcor (much like the one Paul Harrington orchestrated for us at the start of the engagement last year)

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From: David Steele
Sent: Monday, June 12, 2017 8:46 AM
To: Michael Kennedy <Michael.Kennedy@ca.ey.com>
Cc: Paul Hickey <paul.d.hickey@ca.ey.com>
Subject: Muskrat Review
Importance: High

Hello Mike,

I've just talked with Charles. Nalcor are fully engaged and onboard with the review. I've casted out our contemplated activities with dates:

- Today (end of day) – EY to send the preliminary information request list and the proposed interview schedule to Charles – he will distribute to Nalcor and internal.
 - All requested information to be delivered to EY by June 23.
- June 26 - 30 – Preliminary review of documentation
- July 4 – 7 (onsite) - Documentation review and interviews
- July 10 – 14 (onsite) - Documentation review and interviews continue; report writing starts
- July 17 – 21– Report writing continues; documentation review and interviews continue if and as necessary
- July 24 - 28 - Submit draft report to the Nalcor and the Province for comment

- July 31 Aug 4 - Issue final report

Mike, could you:

- Could you please review and update the attached. We do need to deliver the best/comprehensive request list and interview list by end of day today, tomorrow latest.
- Confirm timing with Sam/others – let's get everyone's travel arrangements made and in the books.

Thank you.

The key sponsor at Nalcor will be John McIsaac who will likely delegate to Jim Meaney. We can expect that Steve Pellerin will play a role in coordinating onsite activity/logistics.

Regards,

David

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Muskrat Falls Project

EY Follow up review

Work schedule and initial request lists

June 2017

Work schedule – weekly overview

CIMFP Exhibit P-03397

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Work schedule overview:

- ▶ Today (end of day) – EY to send the preliminary information request list and the proposed interview schedule to Charles – he will distribute to Nalcor and internal.
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- ▶ June 26 - 30 – Preliminary review of documentation

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Interview list and initial documents required

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Interview list

- ▶ Orientation discussions with Minister for Energy and Natural Resources, Head of Oversight Committee and Nalcor CEO and Chair of Audit Committee
- ▶ Project Director for Muskrat Falls and Transmission Lines projects
- ▶ Project Component Managers
- ▶ Project Controls Lead
- ▶ Project Finance Lead
- ▶ Other Project team members as required

Documentation required for the start of the review:

- ▶ Documented response to prior report recommendations from Nalcor
- ▶ Any relevant updated project process documents (e.g. risk, forecasting, contingency management etc.)
- ▶ Recent reports evidencing risk adjusted final forecast reporting
- ▶ Documents detailing current cost and schedule forecast
- ▶ Documentation of most recent QRA processes
- ▶ Quantitative report on contingency calculation and management
- ▶ Documented response to prior report recommendations from GNL
- ▶ Any documents relating to updated governance processes

Recommendations from April 2016 report

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Recommendations:

- ▶ Section 1.6 of EY Interim Report
 - ▶ the Project should revise its planning and forecasting processes to explicitly include the regular reporting of a fully risk-adjusted final forecast of cost and schedule
 - ▶ the Project contingency should make appropriate allowances for all risks, including strategic, at a confidence level reflecting stakeholders' required cost certainty. EY recommends that consideration be given to the use of a more conservative confidence level for setting Project contingency, based on a thorough risk assessment
 - ▶ the sufficiency of the Project contingency should be reviewed quarterly to assess whether it appropriately covers all risks, taking account of the effectiveness of mitigation plans and the likelihood of risks crystallizing
 - ▶ there should be separation of the Project contingency into an amount to be managed by the Project team and an amount to be managed at a higher level of governance
- ▶ Section 1.8 of EY Interim Report
 - ▶ Project governance and independent oversight should be re-evaluated by the Provincial Government and strengthened at the Project, Nalcor Board and Provincial Government levels
 - ▶ Project reporting should be enhanced to support senior management focus on key risks and issues, to communicate more clearly how key risks are reflected in the forecast and to enable more effective Provincial Government oversight

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