

**From:** [Mullaley, Julia](#)  
**To:** [Coady, Siobhan](#)  
**Subject:** FW: Astaldi Options Analysis  
**Date:** Wednesday, February 24, 2016 3:04:17 PM  
**Attachments:** [image001.gif](#)  
[LCP - Status Review and Revised Plan Discussion 20160215 v2 \(Post EY - J....pdf\)](#)

---

As discussed. Thanks.

---

**From:** Michael Kennedy [mailto:Michael.Kennedy@ca.ey.com]  
**Sent:** Thursday, February 18, 2016 10:47 AM  
**To:** Mullaley, Julia <JMullaley@gov.nl.ca>  
**Cc:** Paul Hickey <paul.d.hickey@ca.ey.com>  
**Subject:** Astaldi Options Analysis

Good morning Julia.

Further to our meeting yesterday afternoon, we have updated (and attach) the slide deck to incorporate your comments, including specific revisions to the dates of reporting.

For the Astaldi options analysis work, our team will be deployed on-site next Thursday February 25<sup>th</sup>. To meet our reporting deadlines, we would like immediate access to ALL relevant work / outputs / reports completed by Nalcor / Westney regarding the Astaldi options analysis (and full and timely access to all information related to any aspect of the Project). Our team will review this data prior to arrival next week, so receipt over the weekend / early part of next week would be very helpful. A preliminary information request list related to Astaldi is provided below.

As I mentioned yesterday, I am meeting alone informally with Paul Harrington tomorrow at 9am. I would like to go over this process with him and ideally share the attached deck with him. I presume that is OK and that you have been able to convey this adjusted EY mandate to Nalcor.

I would also like to advise Paul of the reporting dates for the cost / schedule / risk review, as contained in the attached deck. To clarify, the cost / schedule / risk review report is against the \$7.635bn baseline, but not inclusive of the forecast impact of the QRA exercise that Nalcor is preparing for LTA / LIL.

Paul Hickey and I will also forward later today a revised high level summary of our fees to date and a forecast going forward, including fees related to the Astaldi options analysis. Plus we are looking into the feasibility of EY retaining legal counsel to support the options analysis and we will be providing some names / options for review.

Thanks Julia. Paul and I are in the office all day to talk if needed. Mike

### **Astaldi options analysis preliminary information request list**

As we agreed yesterday, it is really important that this work be conducted by EY / Nalcor / Westney in a completely open, timely and transparent fashion. We have brought our most senior

infrastructure advisory team to this and we would like to work together (in the same room) with Nalcor / Westney senior leadership on this, especially during the week of February 29<sup>th</sup>. Westney should be asked to travel to St John's for this time. We would like access to the following information:

- A summary document or memo from Nalcor, summarising the current status of the Astaldi situation, including a range of quantum of a potential \$ settlement
- Westney engagement letter – specifically the written scope of work they were asked to perform, including options analysis of other components of the Project, eg Vallard
- All output reports from Westney to Nalcor – minutes, presentations etc
- Financial analysis conducted by Westney and its sub-consultant of the Astaldi corporate financial health
- Internal Nalcor briefing notes / presentations
- All relevant meeting minutes
- Work outputs from other consultants / third parties that may have been engaged by Nalcor to support an Astaldi options analysis.



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

Ernst Young LLP

700 West Georgia Street, Vancouver, British Columbia V7Y 1C7, Canada

Office: 604 648 3843 | Cell: 778 773 2560 | [michael.kennedy@ca.ey.com](mailto:michael.kennedy@ca.ey.com)

EA: Vangie Johnson | Phone: 604 648 3642 | [vangie.johnson@ca.ey.com](mailto:vangie.johnson@ca.ey.com)

[www.ey.com](http://www.ey.com)

*Proudly serving Canada for over 150 years*

CONFIDENTIAL and/or PRIVILEGED. If received in error please notify the sender and permanently delete.  
CONFIDENTIEL et/ou PRIVILÉGIÉ. Si ce courriel est reçu par erreur, veuillez nous en aviser et en effacer toute trace. EY, 222 Bay St, PO Box 251, Toronto, ON M5K 1J7. [www.ey.com/ca](http://www.ey.com/ca) To unsubscribe from commercial electronic messages / Pour vous désabonner des messages électroniques commerciaux : [Unsubscribe@ca.ey.com](mailto:Unsubscribe@ca.ey.com)

# Lower Churchill Falls Project

Status Review & Revised Plan Discussion

17 February 2016

# Status of EY Work

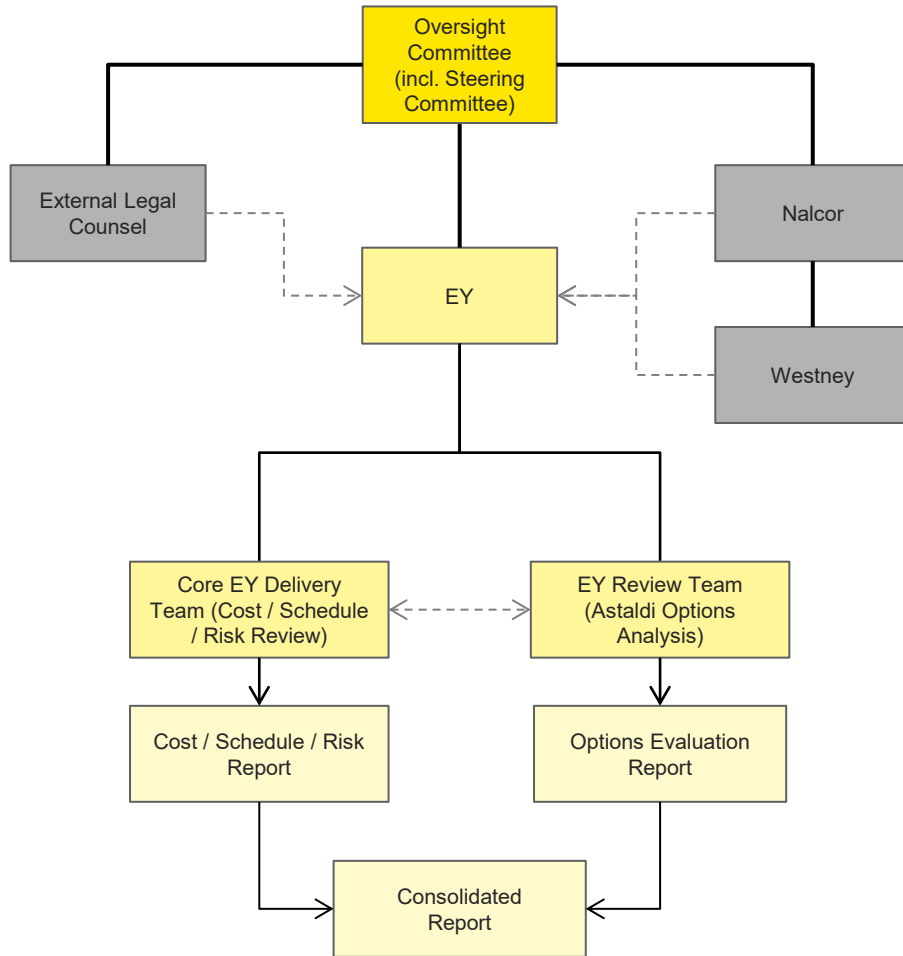
## *Proposal for Moving Forward*

---

- ▶ The EY team is currently progressing with the original scope of work of the cost, schedule & risk review (minus the Astaldi issue). We anticipate reporting by the 8<sup>th</sup> March against the September baseline
- ▶ EY has not had exposure to the Astaldi issue prior to 16 February 2016 beyond historical context
- ▶ Nalcor advised EY on 16 February 2016 they had engaged Westney to provide an options analysis of the different strategies for dealing with the Astaldi issue. We received a presentation from Nalcor and Westney demonstrating their findings to us and the Oversight Committee
- ▶ We propose that EY conduct an independent review of the Westney options analysis in respect of the Astaldi issue. This review would focus on construction, contractual and commercial scenarios, contingency planning and the Astaldi financial position.
- ▶ EY needs full, complete, timely and transparent access to ALL data related to the Project

# Astaldi Options Analysis Review

## Proposed Engagement Governance Model



- The existing EY Delivery Team will be supplemented by additional senior EY resources that will function alongside the existing EY Delivery Team to review the Westney options analysis
- EY will engage with Nalcor and Westney through interviews, workshops, and a review of the analysis material to date
- The Province should retain external legal counsel with solid commercial construction experience to advise the Province and EY

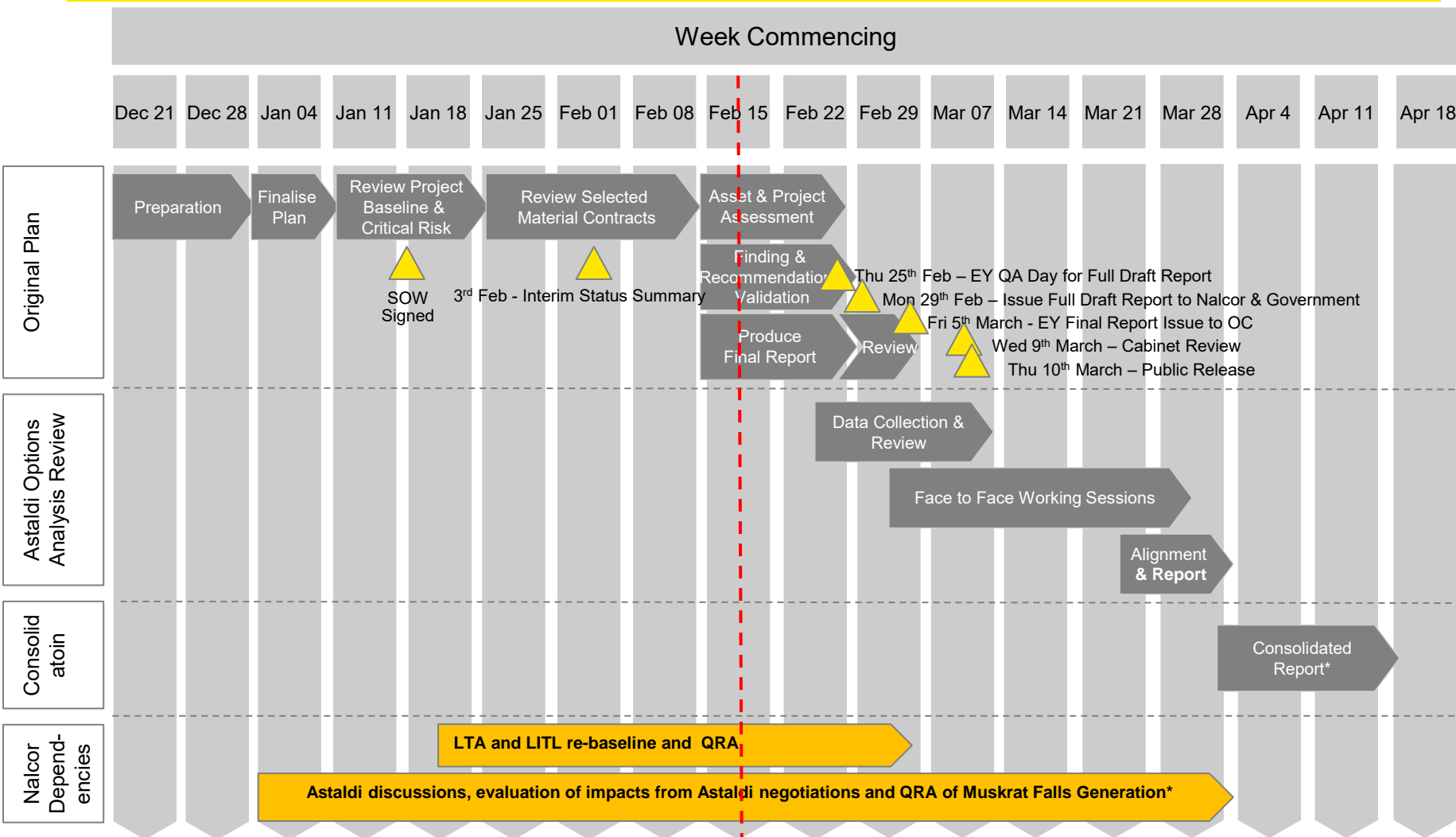
—— Reporting Line  
 - - - - -> Information flow

# Astaldi Options Analysis Review

## 4 Week Delivery Plan

	Stage 1: Data Collection & Review ~1 week	Stage 2: Face to Face Working Sessions (EY/Nalcor/Westney/Etc) ~2 weeks	Stage 3: Stakeholder Alignment ~1 week	Stage 4: Deliver Final Report
PHASE OBJECTIVES	<ul style="list-style-type: none"> <li>▶ Engage &amp; align stakeholders</li> <li>▶ Ensure access to all needed material</li> <li>▶ Confirm detailed output and execution plan</li> </ul>	<ul style="list-style-type: none"> <li>▶ Provide an independent assessment and constructive challenge to the options analysis work performed</li> <li>▶ Review of the Astaldi financial condition</li> <li>▶ Give confidence to the Province on the process to inform the Astaldi strategy</li> </ul>	<ul style="list-style-type: none"> <li>▶ Stakeholder alignment and feedback</li> </ul>	<ul style="list-style-type: none"> <li>▶ Deliver completed report</li> </ul>
INPUT	<ul style="list-style-type: none"> <li>▶ Transparent access to people and work performed to date at Nalcor &amp; Westney</li> </ul>	<ul style="list-style-type: none"> <li>▶ Stage 1 outputs</li> <li>▶ Access to the Westney and Nalcor team for workshops and discussions</li> </ul>	<ul style="list-style-type: none"> <li>▶ Stage 2 outputs</li> <li>▶ Time with the Oversight committee for a draft report discussion</li> </ul>	<ul style="list-style-type: none"> <li>▶ Stage 2 &amp; 3 outputs</li> </ul>
ACTIVITIES	<ul style="list-style-type: none"> <li>▶ Collect &amp; initial review of Westney and Nalcor analysis material</li> <li>▶ Understand Westney &amp; Nalcor parameters and full range of options</li> <li>▶ Initial discussion with Westney &amp; confirm future workshop schedule</li> </ul>	<ul style="list-style-type: none"> <li>▶ Review of Astaldis current contractual obligations, status, notifications, performance issues, strengths of claims and counter claims</li> <li>▶ Perform a review of the spectrum of options available to LCP</li> <li>▶ Perform stress test modelling on the options produced by Westney</li> <li>▶ Perform an independent financial modelling and assessment of the Astaldi organisation robustness</li> <li>▶ Weekly call with Oversight Committee</li> </ul>	<ul style="list-style-type: none"> <li>▶ Review meeting with Oversight Committee of initial findings</li> <li>▶ Receive feedback on potential changes / updates</li> </ul>	<ul style="list-style-type: none"> <li>▶ Finalise draft report</li> <li>▶ Update with feedback provided from the Oversight Committee</li> </ul>
OUTPUT	<ul style="list-style-type: none"> <li>▶ Confirm data &amp; assumptions universe</li> <li>▶ Initial Westney discussions completed</li> <li>▶ Detailed execution plan</li> </ul>	<ul style="list-style-type: none"> <li>▶ Produce a draft analysis of EY's perspective on the options available to LCP</li> <li>▶ Independent analysis of a range of potential outcomes associated with each strategy</li> </ul>	<ul style="list-style-type: none"> <li>▶ Refined stage 2 outputs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Issue final report</li> </ul>

# Proposed EY Work Plan Moving Forward *DRAFT*



\* Detailed execution plan for consolidated report to be determined, and will be affected by completion of Nalcor dependencies

# Options to be Evaluated

Option		Sub-Option
1	No new deal with Astaldi – enforce existing contract	N/A
2	Conclude new deal with Astaldi to complete Powerhouse	Plan for Astaldi to complete the contract
		Plan for Astaldi to perform for 2016 and develop other options for 2017
3	Change Powerhouse contractor	Tender process
		Bilateral negotiation with selected contractors
4	Nalcor step in to deliver powerhouse construction	Keep existing labour on site team as much as possible
		Full demobilisation of Astaldi resources and remobilisation
5	Powerhouse construction stops (temporarily or permanently), complete transmission line only	Suspended by Astaldi
		Suspended by Nalcor
6	Post resolution contingency planning	Potential post agreement Astaldi insolvency planning
		Inclusion of warrants / similar to capture future Astaldi enterprise upside
7	Other - TBD	



# Proposed EY Delivery Resources

EY resources	Name	Credentials
<b><i>New Resources</i></b>		
Lead Partner	David Leather	David has been previously involved in this engagement
Contractor financial viability & modelling	Mylene Levac-Wolf	Mylene's significant experience in supplier due diligence exercises for major construction companies
Commercial contract review	Neal Argent	Commercial quantity surveyor. 30 years experience in major project contracting environments. Extensive infrastructure expertise – London 2012 Olympics, Network Rail.
Scheduling expertise (Primavera)	Barrett Richards	Primavera expert (availability being confirmed)
	Separate Counsel	To be retained separately by the Province. EY has a number of recommendations and preferred individuals that we could work with.
<b><i>Existing Resources</i></b>		
	Tim Calver & Michael Kennedy	Tim will provide continuity and interface with the existing delivery team focused on the cost and schedule review. Michael will be the delivery partner from EY, for both delivery teams.

# Other Considerations

*Time is of the essence...*

---

- ▶ Working Relationships
  - ▶ How can we reset the working dynamic between the stakeholders?
- ▶ Communications Priorities
  - ▶ Realtime communication, full cooperation and transparency
- ▶ Reporting Deadlines & Drivers
  - ▶ Drafting Process
  - ▶ Original Scope
  - ▶ Astaldi Options Review
  - ▶ Consolidated Findings