

**From:** [Collins, Michael](#)  
**To:** ["Richard Westney"](#)  
**Subject:** RE: Worst case value for productivity  
**Date:** Wednesday, May 29, 2019 12:28:14 PM

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Dick,

I'm returning to this with the benefit of Mr. Kean's transcript, and I'd like to ask one further followup to make sure everything is clear.

Here's an excerpt from the May 7 hearing:

**MR. COLLINS:** So this is a point that is important. Did Westney provide analysis to Nalcor that helped inform your choice of inputs, or did they choose the inputs?

**MR. KEAN:** The – so the discussion on the strategic risk was a discussion whether the strategic risk was open or not. So the aspect of a political risk, for instance, that Mr. Dodson made reference to of \$300 million, it would have been a Nalcor decision not to include that, not a Westney decision.

**MR. COLLINS:** So Nalcor chose which risks to arrange?

**MR. KEAN:** Based upon the discussions, and of the team itself that were knowledgeable of that area. When it came to identifying those three major strategic risk that influenced cost, time and – cost and time, strategic time. Nalcor provided the inputs – the Nalcor SNC team for the schedule time analysis.

**MR. COLLINS:** So the carrying cost.

**MR. KEAN:** No, the time risk analysis that showed from 11 to 21 months. So Nalcor provided those inputs to Westney.

**MR. COLLINS:** And those inputs are, for example, the river diversion might take between three months and six months.

**MR. KEAN:** Extra, that's right.

**MR. COLLINS:** That kind of thing.

**MR. KEAN:** That was provided by, you know, the construction people, the people that were knowledgeable in that area. Where Westney provided expertise in sizing risk was the labour productivity and the availability of labour.

**MR. COLLINS:** Yup.

**MR. KEAN:** So, Mr. Dodson was provided – we provided Mr. Dodson with the details of how many person hours were in the estimate –

**MR. COLLINS:** Yup.

**MR. KEAN:** – what our hourly rates were, and from their metrics they looked at it and said: based upon what we see for concrete production, we think it could be an extra X-number per cent here. And they took our rates and framed that, what is known – I think it's \$350 million there we went through yesterday for –

**MR. COLLINS:** Yes.

**MR. KEAN:** – potential labour. So that would

have been their number to come up with that.

**MR. COLLINS:** So, now was that a case where they did an analysis which you accepted and it was your responsibility to accept or reject it, or was it a case where they had the responsibility of choosing the best and worst cost?

**MR. KEAN:** No, at the end of the day they provide an analysis that's Nalcor's decision to accept or reject.

I want to confirm that I understand this right. What I take from your answers is that, that when Mr. Dodson took the number of person hours in the estimate and the hourly rates, he calculated that the exposure was \$600 million rather than \$350 million—the strawman estimate. In the June 4 meeting, Nalcor instructed Westney to use the figure of \$350 million instead. Is that correct?

Regards,  
Michael

Michael Collins  
**Associate Counsel**  
Direct: 709-729-6016

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**From:** Richard Westney <r\_westney@westney.com>  
**Sent:** Thursday, May 9, 2019 1:31 PM  
**To:** Collins, Michael <MichaelCollins@muskratfallsinquiry.ca>  
**Subject:** RE: Worst case value for productivity

Glad to help.

Richard (Dick) Westney  
Founder/Director  
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**From:** Collins, Michael <MichaelCollins@muskratfallsinquiry.ca>  
**Sent:** Thursday, May 9, 2019 10:59 AM  
**To:** Richard Westney <r\_westney@westney.com>  
**Subject:** RE: Worst case value for productivity

Thank you very much.

Michael

Michael Collins  
**Associate Counsel**  
Direct: 709-729-6016

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**From:** Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>  
**Sent:** Thursday, May 9, 2019 1:27 PM  
**To:** Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>  
**Subject:** Worst case value for productivity

Michael

Ok - I have discussed with Keith. His recollection is as follows:

- **Regarding the strawman:** we typically use these values early in the ranging process to suggest to the client as to what the worst- case values could be.

Keith clearly recalls recommending “at least a billion dollars” as a worst case. This corresponds to the sum of \$600MM for Productivity and \$400MM for Time Extension (re. Strawman 04Jun spreadsheet).

So it is correct to say that these strawman values were “suggested” by Westney.

- **Regarding the final value of \$350MM for the productivity worst case** (re. “After 04Jun” and “Final 11Jun” worksheets).

The value of \$350MM was not suggested by Westney. It was the value we were instructed by Nalcor to use in the final run of the risk model.

Regards,

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**From:** Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>  
**Sent:** Thursday, May 9, 2019 10:06 AM  
**To:** Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>  
**Subject:** RE: FW: Exhibits for Richard Westney

Thank you/

Mr. Kean did testify that the \$350 million worst case was *selected* by Nalcor. He added that it was *suggested* by Westney, based on Westney's experience of how other large projects, including projects in NL, were faring.

The nuance seems significant to me, and does not seem to be squarely addressed in any of your, Jack, or Keith's previous statements. Can you clarify: Did Westney suggest the worst-case value of \$350 million?

Regards,  
Michael

Michael Collins  
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**From:** Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>  
**Sent:** Thursday, May 9, 2019 12:30 PM  
**To:** Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>  
**Subject:** RE: FW: Exhibits for Richard Westney

Michael

In response to your email, please be advised as follows:

1. I continue to serve as the single point of contact for all matters relating to Westney Consulting Group; all emails or calls should be directed to me.
2. Jack, Keith and I stand by our testimony, interviews, and all other information we have provided to date describing how the ranges were set and probabilistic risk analyses performed. There is nothing we would add or change.
3. The answer to your questions is as follows:
  - a. We do not recall, nor have any documentation of a calculation to support either the worst-case "strawman" value of \$600 million, nor the value of \$350 million used as input to the strategic risk analysis.
  - b. The value of \$350 million for the worst-case value was selected by Nalcor.

Best regards,

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**From:** Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>

**Sent:** Wednesday, May 8, 2019 6:54 AM

**To:** Jack Evans <[j\\_evans@westney.com](mailto:j_evans@westney.com)>

**Cc:** Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>

**Subject:** FW: FW: Exhibits for Richard Westney

Jack,

Yesterday and the day before Mr. Kean testified that, for the labour productivity strategic risk, Westney calculated the worst case / unmitigated exposure, and that Westney's conclusion was that the worst case was \$350 million. He testified that Nalcor accepted Westney's calculation.

Did Westney calculate that the worst case was \$350 million? If so, is there any record of how that calculation was done?

How does this relate to Westney's "strawman" calculation, which seems to show a worst case of \$600 million?

Michael

Michael Collins  
**Associate Counsel**  
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**From:** Jack Evans <[j\\_evans@westney.com](mailto:j_evans@westney.com)>

**Sent:** Wednesday, November 14, 2018 10:12 PM

**To:** Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>

**Cc:** Ding, Adrienne <[AdrienneDing@muskratfallsinquiry.ca](mailto:AdrienneDing@muskratfallsinquiry.ca)>; Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>

**Subject:** RE: FW: Exhibits for Richard Westney

Michael,

In St. John's on May 24, 2012, there was a Strategic Risk Workshop for the Lower Churchill Project where the strategic risks of the project and their possible impacts were discussed. At that time, it was recognized that

additional work would be required to properly organize and range the strategic risks. I have attached the ranging sheet from that workshop discussion. The two strategic risks in the May 31, 2012, ranging document (sent earlier today) were developed on a preliminary basis as follow-up to the workshop.

It was thought that additional work was still required to properly model the strategic risks. To promote discussion of the organization and ranging of the strategic risks, Westney developed a "strawman" view of the strategic risks (attached) and shared this information with Nalcor prior to a June 4, 2012, follow-up meeting between Nalcor and Westney in Houston. Also attached is the strategic risk ranging after the June 4, 2012, meeting, as well as the final strategic risk ranging as of June 11, 2012 (please note that the impact of the FOREX risk was moved to the tactical risk analysis).

I hope this is helpful.

Jack

.....

Jack Evans  
Senior Executive Consultant  
Westney Consulting Group

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**From:** Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>  
**Sent:** Wednesday, November 14, 2018 1:25 PM  
**To:** Jack Evans <[j\\_evans@westney.com](mailto:j_evans@westney.com)>  
**Cc:** Ding, Adrienne <[AdrienneDing@muskratfallsinquiry.ca](mailto:AdrienneDing@muskratfallsinquiry.ca)>; Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>  
**Subject:** RE: FW: Exhibits for Richard Westney

Jack,

I'm interested in incomplete versions of the strategic risk ranges too. For instance, the incomplete range from the May 31 document was quite interesting. Are there any others?

Thanks,  
Michael

Michael Collins  
**Associate Counsel**  
Direct: 709-729-6016

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**From:** Jack Evans <[j\\_evans@westney.com](mailto:j_evans@westney.com)>  
**Sent:** Wednesday, November 14, 2018 3:39 PM

**To:** Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>  
**Cc:** Ding, Adrienne <[AdrienneDing@muskratfallsinquiry.ca](mailto:AdrienneDing@muskratfallsinquiry.ca)>; Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>  
**Subject:** RE: FW: Exhibits for Richard Westney

Michael,

I'm glad the information I have provided is helpful. Regarding the Tactical Ranging values, all of the relevant files would be in my file folders, and I am confident that the information provided presents a comprehensive portrayal of the evolution of the Tactical Ranging for the 2012 analysis.

You also referenced strategic risk ranges. I did speak to Scott Shaffer and Angie Brown about the evolution of the Strategic Risk analysis. The first complete version of the strategic risk ranges wasn't developed until June 4, 2012; this version was very close to the final version published in the Westney report. Please let me know if there is anything else you would like.

Also, please note that I have copied Dick Westney on my response; I would like to copy Dick on all of my correspondence so that he is kept informed on any discussions.

Best regards,

Jack

.....

Jack Evans  
Senior Executive Consultant  
Westney Consulting Group

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**From:** Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>  
**Sent:** Wednesday, November 14, 2018 11:44 AM  
**To:** Jack Evans <[j\\_evans@westney.com](mailto:j_evans@westney.com)>  
**Cc:** Ding, Adrienne <[AdrienneDing@muskratfallsinquiry.ca](mailto:AdrienneDing@muskratfallsinquiry.ca)>  
**Subject:** RE: FW: Exhibits for Richard Westney

Thanks a lot for this. We're very interested in how Nalcor's estimate of the best and worst case outcomes evolved.

Are there any other documents in

C:\Users\Jack\Dropbox (Westney)\Evans" Folder\Westney\JHE Project Work\Nalcor LCP 2012\Cost Risk\

or

C:\Users\Jack\Dropbox (Westney)\Evans" Folder\Westney\JHE Project Work\Nalcor LCP 2012\

that show draft risk estimates or ranges? Other versions of tactical or strategic risk ranges, for example? Can you think of anywhere else we should look?

Thanks,  
Michael

Michael Collins  
**Associate Counsel**  
Direct: 709-729-6016

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**From:** Ding, Adrienne  
**Sent:** Wednesday, November 14, 2018 2:03 PM  
**To:** 'Jack Evans' <[j\\_evans@westney.com](mailto:j_evans@westney.com)>  
**Cc:** O'Brien, Kate <[KateOBrien@MuskratFallsInquiry.ca](mailto:KateOBrien@MuskratFallsInquiry.ca)>; Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>; Learmonth, Barry <[BarryLearmonth@muskratfallsinquiry.ca](mailto:BarryLearmonth@muskratfallsinquiry.ca)>; Morry, Kirsten <[KirstenMorry@MuskratFallsInquiry.ca](mailto:KirstenMorry@MuskratFallsInquiry.ca)>; Blackmore, Diane <[DianeBlackmore@MuskratFallsInquiry.ca](mailto:DianeBlackmore@MuskratFallsInquiry.ca)>; Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>  
**Subject:** RE: FW: Exhibits for Richard Westney

Thanks for the quick reply, Jack.

Best,

Adrienne Ding  
**Associate Counsel**

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**From:** Jack Evans <[j\\_evans@westney.com](mailto:j_evans@westney.com)>  
**Sent:** Wednesday, November 14, 2018 1:55 PM  
**To:** Ding, Adrienne <[AdrienneDing@muskratfallsinquiry.ca](mailto:AdrienneDing@muskratfallsinquiry.ca)>  
**Cc:** O'Brien, Kate <[KateOBrien@MuskratFallsInquiry.ca](mailto:KateOBrien@MuskratFallsInquiry.ca)>; Collins, Michael <[MichaelCollins@muskratfallsinquiry.ca](mailto:MichaelCollins@muskratfallsinquiry.ca)>; Learmonth, Barry <[BarryLearmonth@muskratfallsinquiry.ca](mailto:BarryLearmonth@muskratfallsinquiry.ca)>; Morry, Kirsten <[KirstenMorry@MuskratFallsInquiry.ca](mailto:KirstenMorry@MuskratFallsInquiry.ca)>; Blackmore, Diane <[DianeBlackmore@MuskratFallsInquiry.ca](mailto:DianeBlackmore@MuskratFallsInquiry.ca)>; Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>  
**Subject:** RE: FW: Exhibits for Richard Westney



Adrienne,

Attached is the source document for the file "20120531 – for GT\_Copy of LCP Tactical Ranging after 31May2012" that you requested. Please note that the two Strategic line items were not part of the May 31, 2012, Tactical Ranging.

Best regards,

Jack

.....

Jack Evans  
Senior Executive Consultant  
Westney Consulting Group

---

**From:** Richard Westney <[r\\_westney@richardwestney.com](mailto:r_westney@richardwestney.com)>  
**Sent:** Wednesday, November 14, 2018 6:27 AM  
**To:** Ding, Adrienne <[AdrienneDing@musktratfallsinquiry.ca](mailto:AdrienneDing@musktratfallsinquiry.ca)>  
**Cc:** O'Brien, Kate <[KateOBrien@MusktratFallsInquiry.ca](mailto:KateOBrien@MusktratFallsInquiry.ca)>; Collins, Michael <[MichaelCollins@musktratfallsinquiry.ca](mailto:MichaelCollins@musktratfallsinquiry.ca)>; Learmonth, Barry <[BarryLearmonth@musktratfallsinquiry.ca](mailto:BarryLearmonth@musktratfallsinquiry.ca)>; Morry, Kirsten <[KirstenMorry@MusktratFallsInquiry.ca](mailto:KirstenMorry@MusktratFallsInquiry.ca)>; Blackmore, Diane <[DianeBlackmore@MusktratFallsInquiry.ca](mailto:DianeBlackmore@MusktratFallsInquiry.ca)>; Jack Evans <[j\\_evans@westney.com](mailto:j_evans@westney.com)>; Richard Westney <[r\\_westney@westney.com](mailto:r_westney@westney.com)>  
**Subject:** Re: FW: Exhibits for Richard Westney

Good morning Adrienne

I have forwarded your request to Jack Evans (copied above) who is the person who would have the source document (if it has been retained.)

Please feel free to communicate directly with Jack as needed (keeping me copied on all correspondence of course)

Best regards,

RW

On November 13, 2018 at 2:02 PM "Ding, Adrienne" <[AdrienneDing@musktratfallsinquiry.ca](mailto:AdrienneDing@musktratfallsinquiry.ca)> wrote:

Dear Mr. Westney,

We received 3 spreadsheet documents regarding LCP Tactical Risk Ranging from May 2012 (attached). These were forwarded to us from Angie Brown at Grant Thornton.

In the file "20120531 – for GT\_Copy of LCP Tactical Ranging after 31May2012", the data points are not hard coded. Instead, they are copied from another document:

'C:\Users\Jack\Dropbox (Westney)\Evans" Folder\Westney\JHE Project Work\Nalcor LCP  
2012\Cost Risk\[LCP Cost-Risk Max Ext

30-70 31May2012.xls]Ranging"!C10

Could we please have the source document and any other documents in that folder? The Commission would be interested in seeing these documents.

If you have any questions, please let me know.

Thank you,

Adrienne Ding

**Associate Counsel**

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