

*Letter to the Editor submitted to the Telegram, April 8/14*

## **Responsible development and oversight go hand-in-hand**

### **Ken Marshall, President - Atlantic Region, Rogers Communications Inc., and Chair, Nalcor Energy Board of Directors**

As the Chair of the Boards of Directors for Nalcor Energy and many of its subsidiary companies, I feel it's important to address comments in recent opinion pieces by David Vardy and Ron Penney (*Time to lift the veil of secrecy over Muskrat Falls*) on March 29, 2014, and Ed Hearn and Dennis Browne (*Muskrat Falls oversight committee a sham*) on April 4, 2014.

Having served for a decade on the boards of Nalcor and Newfoundland and Labrador Hydro, I've seen significant transition and growth of our energy company and provincial utility. I'm pleased to be part of this organization and a team that is driving to build a strong economic future for every Newfoundlander and Labradorian. This vision is driven by a competent and extremely capable team at Nalcor, led by CEO Ed Martin, and is complemented with broad expertise from members of our boards.

Nalcor is accountable to the provincial government and the people of our province. Boards of directors are in place and providing prudent and effective governance for Nalcor's six lines of business and its subsidiary companies. In 2007, Nalcor's board completed a comprehensive governance review and implemented recommendations.

Nalcor's boards are comprised of independent directors with broad backgrounds including, lawyers, accountants, educators, business people and community members. In 2013, there were 63 meetings held by Nalcor's boards and sub-committees. Detailed information on our corporate governance is provided in our annual reports.

### **Significant work completed since JRP and PUB review**

Vardy, Penney, Hearn and Browne made comments about previous reviews completed by the Joint Federal and Provincial Review Panel (JRP) and the Board of Commissioners of Public Utilities (PUB) in 2011. In the intervening years, significant analysis, engineering and design work, refinement of cost estimates and schedule, and labour relations work has been completed to achieve project sanction.

Environmental Assessment (EA) is undertaken early in a project's development to allow the proponent to incorporate recommendations into its planning. This is precisely what Nalcor has completed; and the generation and transmission projects have been released from EA by both levels of government.

Additionally, while the PUB was not able to make a decision on the information they were provided in 2011, their independent and expert consultant, Manitoba Hydro International (MHI), found that "...the Muskrat Falls Generating Station and the Labrador-Island Link HVdc projects represent the least-cost option of the two alternatives, when considered together with the underlying assumptions and inputs provided by Nalcor."

And I remind the authors of those letters, as they cling to these 2011 reports, that recommendations have been satisfied and the Government of Canada (Canada) provided a federal loan guarantee (FLG) for \$5 billion in project funding in December 2013.

### **Independent validation completed on Muskrat Falls**

In their letter to the editor, Vardy and Penney wrote: "...the prudence of decisions on an energy megaproject of this magnitude needs to be subject to review by energy experts who have designed and built similar projects." I couldn't agree more. That's why the provincial government engaged MHI, the independent consultant previously engaged by the PUB, to complete a final review of the project prior to sanction in December 2012. It's also why Nalcor, throughout this development, has sought independent reviews to ensure that we have "cold eyes" input into the project. This is a best practice project development approach.

In accordance with the terms and conditions of the November 2012 FLG Agreement, MWH Canada Inc. (MWH) was engaged as the independent engineer for Canada to assist in Canada's due diligence of the Muskrat Falls Project. The role of the independent engineer is to review the principal aspects of the engineering design, cost and scheduling estimates, and the technical provisions in the principal project contracts and permits. Following its required technical review, MWH issued a report to Canada in November 2013 to support financial close.

Prior to issuing the FLG, Canada completed comprehensive due diligence. This effort was supported by experienced external legal advisors, financial advisors, and an independent insurance consultant all engaged directly and independently by Canada. Combined, these analyses gave Canada validation of the project economics, the business case, financing structure and the engineering and execution capability of the project team.

### **Additional government oversight welcome**

In addition to Nalcor's regular government, public and regulatory reporting, additional oversight has been put in place for the Muskrat Falls Project.

Recently, Premier Tom Marshall announced the establishment of a Muskrat Falls oversight committee. To strengthen and formalize the existing oversight for the construction phase of the project, a departmental committee of senior officials from Finance, Natural Resources, and Justice, chaired by the Clerk of the Executive Council, who is the province's top civil servant, will focus on project costs, scheduling, and overall project performance.

Following that announcement I was shocked to read comments by Messrs. Vardy and Penney, two former provincial government public servants, who are now criticizing the ability of public servants to provide appropriate oversight of the Muskrat Falls Project and report on its progress. I believe this to be an insult to the integrity of the talented people who lead our province's public service.

### **Transparency and accountability is part of our business**

Through all of Nalcor's reporting processes and procedures, we are ensuring accountability and providing due diligence and oversight. As part of our regular business operations, there are many ways we report to the public, government and the PUB, such as:

- annual Transparency and Accountability reports and Business and Financial reports;
- annual financial statements for Nalcor and each subsidiary are audited by an external independent public accounting firm;
- public annual general meeting that includes a question and answer session and is broadcast live online;
- responses to hundreds of public requests for information annually through email and regular mail;
- public information sessions, open houses and presentations throughout the province; and
- monthly Muskrat Falls Project reports that provide detailed information on expenditures, employment, procurement and other construction activities.

The vast majority of the foregoing have been implemented within the past six years, and illustrates our commitment to public accountability.

Our government and regulatory interfaces include:

- Nalcor presents its capital and operating budgets to the Premier, Ministers of Natural Resources and Finance, and senior government officials for review and approval.
- the PUB has oversight of Hydro's capital programs, General Rate Applications and other rate-related filings. During these processes, Hydro responds to thousands of requests for information and questions from intervenors.
- Hydro has regular quarterly and annual reporting to the PUB as well as numerous other requested reports.

Also, contrary to statements by vocal critics, it's important to note that today, government can audit Nalcor and its processes, as well the Auditor General has open access to Nalcor. Some wish the public to believe otherwise.

### **Shaping our future**

Nalcor was created to support the development of Newfoundland and Labrador's energy resources for the benefit of its people. And that is what we are doing.

We've brought together a team of highly-skilled professionals to construct and deliver the Muskrat Falls Project in the best manner possible and subject it to the high level of rigour required for any investment of this magnitude. This is a team with world-class expertise in large-scale energy projects, including Newfoundlanders and Labradorians who have worked around the world managing and constructing projects of this magnitude. They have sharpened their skills around the world and we're proud of the work they're doing right here at home, using industry best practices and proven processes for hydroelectric developments.

And, we're building a historic project that every Newfoundlander and Labradorian can be proud of; a project that will provide benefit to this province, our people, our children and their children. Nalcor, as part of its vision, puts Newfoundland and Labrador first. I encourage people to join in and let's work positively to create a province that leads this country and provides a proud and strong legacy for future generations.