



Nfld. & Labrador

A Nalcor populated with utility experts would never have approved Muskrat, says Stan Marshall



Marshall says risks were too high, the project was too big, and the oil and gas culture was too influential

[Terry Roberts](#) · CBC News · Posted: Jul 02, 2019 6:00 PM NT | Last Updated: July 2



Stan Marshall re-introduced the term "boondoggle" at the Muskrat Falls inquiry Tuesday, saying a Nalcor leadership populated with experts in regulated utility operations would never had endorsed the controversial hydroelectric project. (Terry Roberts/CBC)

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Stan Marshall took a not-so-subtle swipe at his predecessor during his testimony at the Muskrat Falls inquiry in St. John's Tuesday, saying a Nalcor Energy populated with experts in regulated utility operations — as opposed to those with long histories in oil and gas — would never have endorsed the highly controversial and massively over-budget hydroelectric project.

During his testimony Marshall also revived the term "boondoggle," a description he first used for the project following his ascent to the top post at Nalcor three years ago.

Those were some of the high points as Marshall continued his marathon testimony at the public inquiry investigating why Muskrat is billions over budget, and at least two years behind schedule.

Confident in the North Spur

Marshall also expressed unbending confidence in the ability of the North Spur — a controversial peninsula of land at Muskrat that will help dam the Churchill River once the reservoir is flooded this summer — to reliably hold the reservoir, saying he took a critical look at all the reviews, and is satisfied they were "done properly."

Meanwhile, when asked by Geoff Budden — the lawyer representing the Muskrat Falls concerned citizens coalition — who was to blame for the Muskrat scandal, Marshall gave two scenarios.





Former Nalcor Energy CEO Ed Martin has twice testified at the Muskrat Falls inquiry. (Terry Roberts/CBC)

He said if it was a public policy decision by government to develop the project, which the 2007 provincial energy plan seems to suggest, then political leaders from successive Progressive Conservatives administrations should take responsibility. But if that political decision was based on flawed and incomplete information from Nalcor, then those in charge at the time are to blame.

"You mean the executive?" asked Budden.

"Absolutely," Marshall answered.

And by executive, that can only mean one person: Ed Martin, who was the gatekeeper for the project and decided what information was relayed to government, and when.

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There's evidence Martin's hand-picked project management team knew the costs would be higher, and expressed this in regular reports to him. The project director, Paul Harrington, also expressed a strong opinion in a June 2016 letter to Marshall, saying an aggressive cost and schedule was "imposed" on the project.

Marshall never mentioned Martin by name, but made it clear in his testimony that those in charge might not have had the best interest of the electricity ratepayer in mind when decisions were being made.





This Nalcor Energy photo of the Muskrat Falls power generating project was taken in May 2019. As of April, the entire Lower Churchill Project was 98 per cent complete. (Nalcor)

"The question in my mind was government probably relied on Nalcor, and what advice were they getting? Being the vehicle of the government, Nalcor had the responsibility to give its best advice. But at this point in time it was not being led by utility people. It was led by people from another energy sector," Marshall said.

'No utility culture'

It's been a recurring question at the inquiry: whether an executive and project team at Nalcor with strong pedigrees in the oil and gas industry overshadowed a regulated hydroelectric culture mandated to deliver reliable electricity, at the lowest cost.

Marshall seemed to agree this was the case, saying, "There was no utility culture at Nalcor" prior to his arrival, and as a result the Muskrat "boondoggle" — a word used to describe a publicly funded project of limited value — is now a reality.

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"The boondoggle is that you took on an extraordinary risk to do this project, when the project was significantly bigger than the Newfoundland and Labrador consumer required, and the risks turned against you, and you've ended up with a terrible result," Marshall said.

He said the project was approved based on very long-term projections for electricity demands and market conditions, and the "extraordinary risks" were so high that they now risk the province's economic welfare.

"It's an extraordinary situation," said Marshall in his trademark candid style.

And in a further indictment of the project architects, Marshall said "the estimates were low, the risks were not recognized properly."

Too big, too risky, says Marshall

Nalcor, under Ed Martin, presented Muskrat as the least-cost option prior to its sanction at a cost of \$6.2 billion in late 2012. The provincial government accepted that recommendation, and a structure that would see ratepayers in Newfoundland ultimately responsible for the cost.

But construction costs have since soared to \$10.1 billion — \$12.7 billion when interest during construction is included — and government is now struggling to come up with a plan to prevent power rates from skyrocketing.

“This province needs a Nalcor desperately. You need an organization controlled by the province that has this core expertise.”

- Stan Marshall

At 824 megawatts, Muskrat will produce three times the amount of energy required by the province, and one third is committed to Nova Scotia for 35 years in exchange for building the Maritime Link. There are plans to sell the remaining power to export markets but no firm agreements in place, and market conditions mean returns will likely be far less than the cost to produce the electricity.

Marshall repeated his assertion that Muskrat should not have been built, saying it would have been cheaper to maintain and enhance the isolated island grid and make plans to build a transmission line to Labrador before the Upper Churchill contract with Hydro-Quebec expires in 2041.

"It's going to drive rates, but not anywhere close" to Muskrat Falls, he said.

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- ['We wear it': Gilbert Bennett reluctantly admits Nalcor responsible for Muskrat missteps](#)

Marshall said his priorities now are to finish strong on the project, and help devise a plan to ease the shock on ratepayers.

Meanwhile, Marshall addressed some speculation that Nalcor might be dismantled once the project is completed.

"This province needs a Nalcor desperately. You need an organization controlled by the province that has this core expertise. You're going to deal with Hydro Quebec, which is a Crown corporation, very knowledgeable, and you have to be as equally as competent. Otherwise we're going to end up as a province in a desperate straits again."

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