

# Consultant testifies at Muskrat Falls Inquiry about obstructions to project review

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Muskrat Falls - SaltWire File Photo

## EY challenged by Nalcor during government-mandated process

ST. JOHN'S, N.L. — Michael Kennedy is a project management expert who joined EY as a partner in 2015 and ended up as part of the team reviewing the Muskrat Falls project.

Kennedy was on the stand at the Muskrat Falls Inquiry Monday. He was not directly involved in the earliest contracts for EY on the project. They were for review of internal processes and advisory

services for the oversight committee.

But in December 2015, Premier Dwight Ball announced an independent review of Muskrat Falls, insisting his new government would “open the books” on the project. EY was tasked with digging into the project’s cost and schedule for the first time.

An internal briefing from EY, now in evidence at the inquiry, shows what EY was expecting going in. “Nalcor, the government agency in charge of power generation and distribution, was resistant to the independent oversight function and the use of EY. They cited their existing reporting to the oversight committee, the use by the federal government of an independent engineer (to which the oversight committee also has access) as well as their own internal audit function as providing sufficient oversight on the project,” it stated.

An international team of experts worked on the review, but there was tension, Kennedy said.

“We felt very managed in the way that our interactions were going. And I would contrast that with our experience and my experience in major capital projects and having been on the other side of fairly senior reviews. It was quite tense and it certainly wasn’t an approach of, ‘What can we tell you?’ ‘What do you want to know?’ It felt like they were being very careful with what they were sharing with us,” he testified.

There were meetings where discussions would end abruptly. He also testified about an initial reluctance to provide some of the reporting to Nalcor’s board of directors, and then complaints of EY using “alarmist” language in written materials.

During his testimony, Kennedy was asked by Concerned Citizens’ Coalition lawyer Geoff Budden if there was more than one example of Nalcor’s behaviour being “obstructionist” during the review process.

“I would agree with that. Yes,” Kennedy said, adding it had nothing to do with mid-level management on down.

By January 2016, EY was citing significant gaps in the information it had. Nalcor was saying it had to wait, while sensitive negotiations were happening with contractor Astaldi.

“Without EY and Government of Newfoundland and Labrador having this access and transparency, Government of Newfoundland and Labrador will be in a difficult position to exercise oversight throughout this important period and may instead be relegated to a backward-looking review exercise,” read a confidential, internal update.

“We never received the full information on the Astaldi problem,” Kennedy said at the inquiry, adding it was described as too sensitive and too complicated.

An interim report from EY in April 2016 included the key caveat that the reviewer had relied on information provided by Nalcor.

Throughout the interactions between EY and Nalcor in evidence at the inquiry, there are references to the fact reports may be made public through the Access to Information and Protection of Privacy request system. There are also references to specifically not putting information into a draft report, because it could be subject to public release.

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