



Nfld. & Labrador

Former top public servant regrets not challenging Nalcor more on Muskrat costs



'I feel accountable': Julia Mullaley admits she should have pressed the Crown corporation harder

[Terry Roberts](#) · CBC News · Posted: May 30, 2019 3:35 PM NT | Last Updated: May 30



Newfoundland and Labrador's former top public servant, Julia Mullaley, concluded her second and final day on the witness stand at the Muskrat Falls inquiry Thursday in St. John's. (Terry Roberts/CBC)

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The auditor general and former top public servant in Newfoundland and Labrador admitted Thursday she regrets not pressing Nalcor harder on cost estimates for Muskrat Falls prior to a

key milestone on the project in 2013.

"I feel accountable," said Julia Mullaley, under questioning from lawyer Geoff Budden. Knowing what she knows now about the project costs, she wishes she'd sat down with former Nalcor CEO Ed Martin and "gone through it, understood what had changed, and questioned."

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The admission came during an exchange between Mullaley and Budden at the public inquiry investigating massive cost and schedule overruns on the controversial hydroelectric project.

Mullaley was clerk of the executive council — the most senior bureaucratic post in government — for three years beginning in mid-2013. Her time in the post came during a very critical period for Muskrat, which stumbled badly in the early going as Astaldi encountered big challenges on the powerhouse contract.

“It wouldn't be on my mind, I guess, that Nalcor was sending something over that's not accurate.”

- Julia Mullaley

The inquiry has revealed that the cost estimate for Muskrat was quietly increased by more than \$300 million just prior to what's known as financial close in late 2013. This was the point of no return for the project, and a forensic audit shows there were serious warnings signs prior to this that the project budget and schedule was in trouble.

But Mullaley and some other senior bureaucrats and politicians, including the finance minister of the time, have testified they thought the capital cost at financial close remained at \$6.2 billion.

Budden is the lawyer for a coalition of citizens concerned about Muskrat Falls and argued that Mullaley failed by not aggressively challenging a cost estimate that by that time was a year old.

Trust in Nalcor

"I'm suggesting to you that was a failure on your part, and on the part of those immediately answerable to you, to not be more proactive, to not explicitly say, 'Are these current numbers? Are you sure?' You didn't do that, did you?" Budden asked.

Mullaley said she didn't because there was a team of bureaucrats working with Nalcor, and she was relying on them to get information from the Crown corporation.

"We had our finance officials and we had our deputy minister of finance on it and that's who we relied on," she said. "It wouldn't be on my mind, I guess, that Nalcor was sending something over that's not accurate."

She said Nalcor told government officials the cost estimate remained at \$6.2 billion, and this information was presented to cabinet ahead of financial close.



The Muskrat Falls power station and other infrastructure is shown here in this recent photo provided by Nalcor Energy. As of the end of March, the entire Lower Churchill Project had reached 97 per cent completion. (Nalcor)

Mullaley said her confidence in the information was also bolstered by the fact that the federal government, through an independent engineer, was reviewing Nalcor's information, although it's now clear that financing was approved at a project cost estimate of more than \$6.5 billion.

Budden zeroed in on that period before financial close.

"You never thought to challenge that this is a stale number?" Budden pressed.

"I never challenged the particular number. We had finance officials on it," Mullaley replied.

'No sense of responsibility' for cost overruns

There's evidence that some bureaucrats were aware of the higher number, and then-premier Kathy Dunderdale testified earlier that she "must have known" about the extra \$300 million.

Martin, meanwhile, told reporters Wednesday that he told Dunderdale ahead of financial close.

The capital cost issue has, at times, dominated testimony at the inquiry because there's growing evidence that Nalcor was selective in how and when it disclosed information about project costs to its board of directors, and its lone shareholder, the provincial government.

And a document referenced during Thursday's hearing indicates Nalcor "felt no sense of responsibility" for cost overruns because government was backstopping the project.

"The focus is on completing the project regardless of the cost, with government being there to provide unlimited funds. Nalcor's view is the cost increases are unfortunate, but the long-term benefits surpass the cost increases."

The document attributes the following statement to officials from professional services firm EY, which was hired in late 2015 to review the project: "The focus is on completing the project regardless of the cost, with government being there to provide unlimited funds. Nalcor's view is the cost increases are unfortunate, but the long-term benefits surpass the cost increases."

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