

Muskrat Falls project team told Nalcor to expect overruns

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Ron Power, Nalcor Energy's deputy project manager responsible for Muskrat Falls generation, testifies Wednesday at the Muskrat Falls Inquiry in St. John's. - Joe Gibbons

Ron Power says the decision was made to carry on regardless

ST. JOHN'S, N.L. — After two days of testimony at the Muskrat Falls Inquiry from Ron Power, Nalcor Energy's deputy project manager responsible for Muskrat Falls generation, Commissioner Richard LeBlanc had some questions.

Before hearings ended for the day on Wednesday, LeBlanc asked Power about 2013, and the contract bids coming in higher than expected.

LeBlanc had Power confirm he had seen the latest report to the inquiry from auditors with Grant Thornton. On bids for Muskrat Falls construction, it stated that prior to financial close in late 2013, bids being received from contractors ultimately hired were above the expected amounts by a total of about \$600 million.

The report stated contingency funds in the Muskrat Falls project were exhausted by April 2013.

“Financial close basically settles on the federal loan guarantee, the financing that you’re going to have available, so if members of the project management team knew that the contingency was exhausted, that the budget was not significant enough, or high enough ... why would, is it prudent to proceed then to rush or to push the issue of financial close, knowing that the money you’re getting is not going to be enough, likely, to complete the project? Did anyone give that some thought?” LeBlanc asked Power.

The project manager had testified about his belief the contingency was not enough.



Commissioner Richard LeBlanc. - SaltWire File Photo

“That reality that you’re talking about, that was communicated up through the top of Nalcor house,” he said.

“So you’re saying the project management team did communicate your concerns about this up to senior management?” LeBlanc asked.

“Yes,” Power replied.

“But we know nothing happened,” LeBlanc said.

“So, we know the decision was made to carry on,” Power said.

The decision locked in the province’s ratepayers to covering the full cost of the project, whatever it might ultimately be.

LeBlanc stared down at the pen in his hands, twisting it during a six-second pregnant pause, before thanking the witness for his responses and closing the hearing.

How did we get here?

Earlier in the day, Power had been asked time and again about the change of the hydro project’s price tag from a capital cost estimate of \$6.2 billion at the time of sanctioning in 2012 to more than \$10 billion today (\$12.7 billion when interest on loans is included).

Power said he believed the contingency on the project was low.

There were problems with contractor performance, he said.

He was asked if anything be said about Nalcor Energy’s project management team.

“Personally speaking, I’m sure there are things that Nalcor could have done differently,” he said, when pressed. “I can’t tell you what they are, without working through it.”

For the record

During his testimony, Power was confronted with — and at times opted to backtrack — comments made in internal emails and other communications with project management team members.

For example, lawyer Geoff Budden with the Concerned Citizens Coalition asked about an email in May 2014, wherein Power wrote frankly about his concerns with Astaldi’s performance at that point.

“While I do not doubt the sincerity of Mario and Jennifer (I do believe Manni is conspiring against the project), the bigger question is whether Astaldi can deliver this,” he wrote to project director Paul Harrington.

Power was asked by Budden about describing someone — in this case, Emmanuel Triassi, or Manni in the email — as “conspiring.”

“I don’t really remember why I said that,” Power replied.

He went on to say the project team understood it was all just a case of him being upset after a site visit, and they weren’t concerned that way with Triassi.

The inquiry hearings continue Thursday, with project management team member Lance Clarke scheduled to be called to the stand.

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