

Organizational Effectiveness

A presentation to the Board of
Commissioners of Public Utilities

Objective

- Provide further insight into operations of Nalcor and Hydro and the new corporate structure implemented in 2016
- Demonstrate how actions taken to date, and planned for in the future, are supportive of rate mitigation

Outline

1. Nalcor's mandate
2. The objectives of the 2016 reorganization in response to the corporate priorities
3. Direction provided by the President & CEO towards reorganization
4. Company wide focus on finding efficiencies to help support rate mitigation
5. Managing the transition & risks

1. Nalcor's Mandate

- To manage the Province's energy resources effectively and responsibly for the benefit of its people

2. Corporate Priorities in 2016

1. Successful completion of Muskrat Falls Project
2. Prepare electricity grid – and the company's operations - for integration of Muskrat Falls assets
3. Separation of Hydro with focus & accountability on core business and clarity for the Regulator
4. Nalcor positioned to respond to commercial opportunities and economize on excess energy to maximize benefits for customers and people of the Province (today and for years to come)

3. 2016 Reorganization Direction

In considering how to execute on the 2016 reorganization objectives, the following direction was provided:

- **Line of Business** focus while maintaining **collaboration**
- Ensure **efficiencies** and **cost optimization**
 - Avoided Duplication & Shared Services
 - Future State lean staffing for MF assets
- A structure that meets **current and future** requirements of the organization and its shareholder

Other important considerations

When completing the reorganization it was also important to keep in mind the following:

- Structural considerations
 - Breadth & Depth of activities within the organization (business diversity – complex operations)
 - Governance framework & Partnerships (multiple legal entities)
 - External Stakeholder requirements
- Job Design considerations
 - Spans of control for supervisors
 - Geographical footprint
 - Workload
 - Workforce & Succession Planning

4. Finding Efficiencies

- Timing and the path to reduction are key considerations
- Reductions in FTE are targeted to occur throughout the transition of MFP construction to reliable operation
- Considers repurposing of the Holyrood Thermal Generation Station upon reliable in-service of the new assets (Pending Reliability & Resource Adequacy Study)

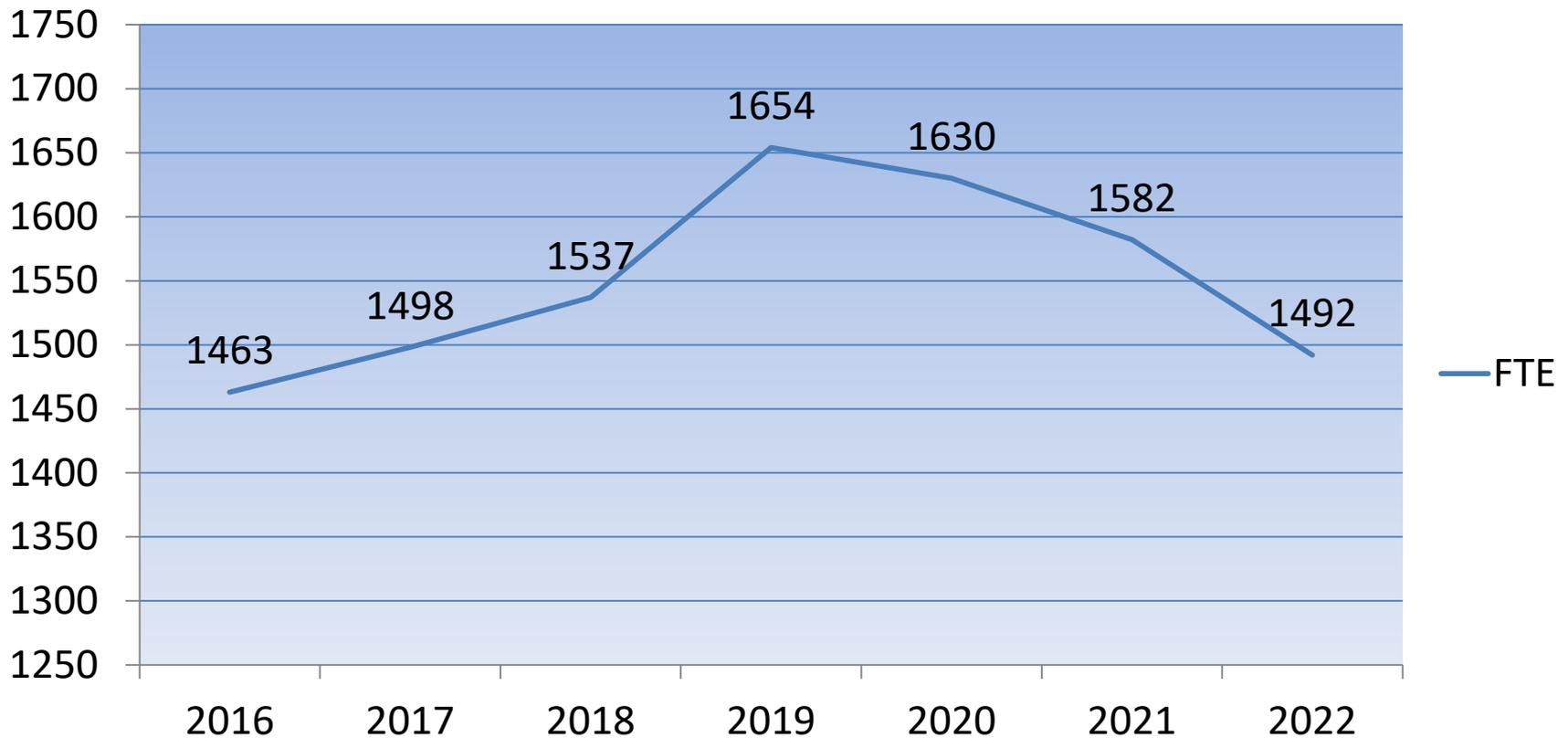
5. Managing the Transition & Risks

- Managed primarily through reduction in fixed term and temporary employees, and also attrition as appropriate
- **Implemented with a view to managing costs & risks**

Staffing Trends & Current Outlook

Cost Savings:
\$15 - \$20M

FTE



Summary

- **Rate mitigation is and will continue to be a key priority for Nalcor and the Province in the years to come**
- Nalcor's organization structure ensures the company is positioned to achieve its long-term mandate and its short-term goals
- Nalcor is going through step change in scale and complexity of operations and assets under management, we still face challenges, its team must remain positioned to respond

Bio

Mike Roberts, Senior Vice President, Corporate Services and Chief Human Resources Officer, Nalcor Energy

Senior Vice-President, Corporate Services and Chief Human Resources Officer, Mike Roberts, is responsible for Nalcor's Safety, Environment, Human Resources and Labour Relations portfolios as well as Internal Audit, and Corporate Affairs & Shareholder Relations.

Mike joined Nalcor in 2007 providing leadership in all areas of Human Resources & Organizational Effectiveness. In 2010, he assumed accountability for Labour Relations, shepherding various Nalcor lines of business through three rounds of collective bargaining and finalization of multiple collective agreements. As the former Director of Human Resources and Operations in the private sector, Mike led transformation change, played key roles in mergers and acquisitions, and provided customer and employee care services to Fortune 500 companies.

Mike graduated from Memorial University's Faculty of Business with both Commerce (Co-op) and Master's degrees in Business Administration, has received accreditation from Queen's University in Labour Relations and is a graduate of the Leadership Program at the Ivey School of Business at Western University. He most recently completed the Directors Education Program with the Institute of Corporate Directors, obtaining his ICD.D designation.