

1 Q. Please provide a description of the process by which Nalcor Energy was
2 restructured in 2016, which resulted in the segregation of Newfoundland Hydro and
3 Nalcor Power Supply. Please provide the change at that point, if any, in total FTEs
4 post-restructuring, as well as the change in FTEs for any Newfoundland Hydro
5 Business Unit.

6

7

8 A. In 2016 as a result of the Company reorganization announced by Stan Marshall,
9 President & CEO of Nalcor Energy (“Nalcor”) and CEO of Newfoundland and
10 Labrador Hydro (“Hydro”), Nalcor and Hydro assessed their mandates to ensure an
11 organization structure which aligned with the given priorities set forth by Mr.
12 Marshall. PUB-Nalcor-140, Attachment 1 and PUB-Nalcor-140, Attachment 2
13 include the email notification and organization chart announced on June 15, 2016
14 by Mr. Marshall.

15

16 The reorganization included separating Nalcor’s regulated business (Hydro) from
17 Nalcor’s unregulated business activities. At this time in 2016 Power Supply was
18 introduced as a new division to encompass most of the unregulated business
19 activities, including management of the Churchill Falls plant, transmission, and
20 town, all transmission associated with the LCP including the Labrador Transmission
21 Assets (LTA), and the Labrador-Island Link (LIL); the operation and maintenance of
22 the Muskrat Falls plant; and the integration activities for the new assets (led by the
23 Transition to Operations – TTO group).

24

25 In general, the outlook included anticipated growth related to generation,
26 transmission, and integration of the new assets along with eventual reductions

1 related to repurposing Holyrood (partial decommissioning). Organization change
2 related to support service departments is described below.

3
4 In terms of departments providing support services to all companies or
5 departments providing services through a matrix structure, a review was completed
6 to determine the structure which would best support the CEO's priority to have
7 clear separation between the regulated and unregulated business. The support
8 services departments¹ included in this review were:

- 9 • Finance: Accounting, Tax & Treasury, Investment Evaluation, Risk &
10 Insurance;
- 11 • Information Systems;
- 12 • Internal Audit;
- 13 • Supply Chain Management;
- 14 • Legal;
- 15 • Strategic Planning & Business Development;
- 16 • Communications & Shareholder Relations (C&SR);
- 17 • Project Execution Technical Services (PETS); and
- 18 • Human Resources & Organizational Effectiveness (HROE): Human
19 Resources, Labour Relations, Safety & Health, Environment.

20
21 A Support Services Review Committee ("Committee") comprised of senior
22 employees and executives representing support services from Nalcor and Hydro
23 established a set of objectives and principles to ensure a consistent approach was
24 taken within each department for this assessment. The end goal was to determine

¹ Department titles as used in 2016.

1 the organization structure that best supported a separated regulated and
2 unregulated organization for support services. The objectives of this review were:

- 3 • to move to a more distinct separate Hydro to the greatest extent possible
4 and practical. To enable Hydro to have autonomy over its core services;
- 5 • to determine the support services organization structure for Hydro in the
6 near term (2016-2017) and future (2018, 2019, onward);
- 7 • to create an organization structure that allows Hydro to meet its mandate –
8 to deliver safe, reliable, least-cost power to customers;
- 9 • to enable Hydro to operate with minimal shared services from Nalcor;
- 10 • to obtain the least cost for providing optimal shared support services; and
- 11 • to respect the value of common “look and feel” for the employment
12 experience across Nalcor and Hydro.

13
14 Principles of the reorganization review included the following:

- 15 • Organization structure will represent clear accountabilities and
16 responsibilities;
- 17 • Hydro/Nalcor resources (people & assets) will be managed and/or
18 supervised by respective company employees;
- 19 • Core functions that can be performed by Hydro will be performed by Hydro;
- 20 • Minimize the Nalcor/Hydro FTE impacts. Target is FTE-neutral; and
- 21 • Ensure common policies and procedures, standards, coordination, corporate
22 applications, and infrastructure are established and maintained within
23 Nalcor/Hydro unless exceptions are justified and approved.

1 During the course of the review each support services department within Nalcor
2 and Hydro completed an assessment using these objectives and principles to
3 determine new department structure(s) under the company reorganization.
4

5 Finance

6 Since approximately 2009 the Finance teams were structured by line of business
7 (LOB) teams (LCP, Hydro, CF, Oil & Gas, Energy Marketing, etc.) with all teams
8 having a solid-line reporting relationship to the Nalcor CFO and dotted-line
9 reporting relationship to the relevant line of business leader. In 2015 the Finance
10 team started to reorganize additional items into these LOB teams and in particular,
11 Hydro. In November of 2015 the Nalcor CEO at the time appointed a President of
12 Hydro and the decision was made to create a separate Vice President structure (i.e.
13 Vice President Finance, Vice President Engineering, etc.) under the Hydro President.
14 These changes were further refined upon Mr. Marshall's arrival in 2016. Resources
15 were split between Nalcor and Hydro for accounting, tax, treasury, investment
16 evaluation, and risk. In Nalcor Finance related resources rolled up under the Chief
17 Financial Officer & Executive Vice President Finance. These resources perform
18 services for Nalcor companies (excluding Hydro) yet have company-wide
19 accountability for all services that require Nalcor oversight. Nalcor maintained
20 resource(s) in Insurance and continued to provide services to all companies
21 including Hydro. Hydro resources rolled up under the Vice President Finance,
22 Hydro.
23

24 Internal Audit

25 Internal Audit resources were split between Nalcor and Hydro with accountability
26 for Nalcor subsidiaries (with the exception of Hydro) remaining in Nalcor. The
27 Nalcor Internal Audit team provides services to Nalcor, including Power Supply

1 (including Churchill Falls and Energy Marketing), Power Development, Oil &
2 Gas/Bull Arm Fabrication, and Nalcor support services departments. The Hydro
3 Internal Audit team provides services to Hydro and reports directly into Hydro.

4 5 Legal

6 Legal services resources were split between Nalcor and Hydro with accountability
7 for Nalcor subsidiaries (with the exception of Hydro) remaining in Nalcor. The
8 Nalcor legal team provides services to Nalcor, including Power Supply, (including
9 Churchill Falls and Energy Marketing), Power Development, Oil & Gas/Bull Arm
10 Fabrication, and Nalcor support services departments. The Hydro legal team
11 provides services to Hydro and reports directly into Hydro.

12 13 Strategic Planning and Business Development

14 Strategic Planning & Business Development remained with Nalcor for the most part
15 although services related to strategic planning and business development specific
16 to Hydro were absorbed into other positions in Hydro with the exception of a
17 commercial lead and corporate planning, risk and controls position, reporting into
18 the VP Finance in Hydro.

19 20 Corporate Communications and Shareholder Relations

21 Corporate Communications and Shareholder Relations resources were split
22 between Nalcor and Hydro with Nalcor-wide accountability remaining in Nalcor.
23 The Nalcor C&SR team provides services to Nalcor, including the division of Power
24 Supply (including Churchill Falls), Power Development, Oil & Gas/Bull Arm
25 Fabrication, Energy Marketing, and Nalcor support services departments. There are
26 some C&SR employees embedded in operations such as Churchill Falls and Oil &

1 Gas however they report up through to Nalcor. The Hydro corporate
2 communication team provides services to Hydro and reports directly into Hydro.

3
4 Human Resources and Organizational Effectiveness

5 HROE resources were split between Nalcor and Hydro with Nalcor-wide
6 accountability remaining in Nalcor. In addition, several HROE departments under
7 Nalcor provide services to all companies under a shared services model. The
8 departments within Nalcor that provide services to all companies, including Hydro,
9 are:

- 10 • payroll & Human Resources Information Systems (HRIS);
- 11 • compensation, benefits and pensions;
- 12 • corporate programming for talent management, diversity & inclusion,
13 workforce planning, and employee recognition;
- 14 • integrated labour relations strategy;²
- 15 • corporate Safety Management systems; and
- 16 • Environmental Management systems.

17
18 The Nalcor HROE team provides services to Nalcor, including the division of Power
19 Supply (including Churchill Falls and Energy Marketing), Power Development, Oil &
20 Gas/Bull Arm Fabrication, and Nalcor support services departments. There are
21 some HROE employees embedded in operations such as Churchill Falls, Power
22 Supply, as well as Power Development. The Hydro HROE team provides services to
23 Hydro and reports directly into Hydro.

² Each of Hydro, CF and Power Supply have their own collective agreements with the IBEW and each company negotiates with the IBEW separately.

1 Information Systems and Information Management

2 Most company-wide technology solutions were designed and/or implemented to
3 maximize efficient administration and support, and minimize costs (i.e. licensing).

4 The Committee's objectives specifically for least cost and practicality were
5 supported only by maintaining centralization of these services. Resources for
6 Information Systems were kept together as a group in Nalcor; this group is
7 responsible for providing Information Technology (IT) and Information
8 Management (IM) services to Nalcor and its subsidiaries, including: NL Hydro,
9 Power Supply (including Churchill Falls), Power Development, Oil and Gas, Bull Arm
10 Fabrication and Energy Marketing.

11

12 Information Technology and Operating Technology (IT/OT)

13 The resources primarily responsible for Hydro's Energy Management System, Vista
14 Water Management, Nostradamus Load Forecasting, and other critical operational
15 technology infrastructure was transferred to Hydro from Nalcor to provide
16 Operating Technology (OT) support to Hydro. In addition the IT/OT department
17 provides strategic support to Hydro in managing the Information Technology (IT)
18 services through a shared support model. Company-wide Network Services
19 continued to be provided through Hydro and resources report to the IT/OT
20 department within Engineering Services in Hydro.

21

22 Supply Chain Management

23 Supply Chain Management remained within Hydro. This group provides services to
24 Nalcor and its subsidiaries.

Project Execution Technical Services

Project Execution Technical Services (PETS) resources were split between Nalcor and Hydro based on historical work performed by the resources. The Nalcor Engineering Department was placed in the Power Supply division and supports Power Supply including Churchill Falls and Transition to Operations. The Hydro Engineering Services division reports into Hydro and focuses on engineering activities, operational and technical support, project execution, and asset management for Hydro.

The table below is a summary of services provided to all companies by only one group:

Table 1: Unique Services

Service ³ Description	Company Providing the Service to Nalcor and its subsidiaries
Insurance	Nalcor
Payroll & HRIS	Nalcor
Compensation/Benefits/Pensions	Nalcor
HR Corporate Programs	Nalcor
Safety Management Systems	Nalcor
Environmental Management Systems	Nalcor
Information Systems & Information Management	Nalcor
Network Services	Hydro
Information & Operations Technology	Hydro
Supply Chain Management	Hydro

³ May be referred to as unique services.

1 Churchill Falls has a group of unique services related to operations supporting and
 2 managing the Town of Churchill Falls. This includes a mix of permanent and
 3 temporary housing for employees, a kindergarten to grade 12 school for children
 4 who live in the community, and an air services department supporting remote
 5 transmission and dyke maintenance for flight operations in/out of Churchill Falls.
 6 These unique services for Churchill Falls are not included in the table above.

7
 8 The reorganization of employees for support services was implemented in the first
 9 pay period of 2017. The table below indicates the FTE⁴ numbers for Support Service
 10 Groups for the final pay period of 2016 and the first pay period of 2017 to illustrate
 11 the FTE numbers pre- and post-reorganization.

Table 2: Support Service Annualized FTE's Pre- and Post- Reorganization

<u>Support Services Group</u>	Pay Period 26 (Annualized) 2016			Pay Period 01 (Annualized) 2017		
	Nalcor	Hydro	Combined	Nalcor	Hydro	Combined
General Counsel/Corporate Sect	4.5	1.0	5.5	4.0	2.0	6.0
Corp. Comm & Shareholder Rel	8.0	2.0	10.0	8.0	3.0	11.0
Human Resources & Org. Effect.	15.9	26.0	41.9	26.9	13.9	40.8
Engineering Services	39.5	94.8	134.3	22.4	107.4	129.9
Finance	41.5	33.5	75.0	40.0	36.3	76.3
Internal Audit	7.0	0.0	7.0	5.0	1.0	6.0
Supply Chain	0.0	25.9	25.9	0.0	29.9	29.9
Information Systems Nalcor	54.0	0.0	54.0	48.0	0.0	48.0
Strategic Planning & Bus. Dev.	3.9	0.0	3.9	2.0	0.0	2.0
	174.3	183.2	357.5	156.3	193.5	349.9

⁴ FTE numbers on a per pay period basis are partial year, therefore numbers in the chart are annualized for comparative purposes; some changes in FTE may not be attributed to reorganization such as a resignation, return or departure for leave of absence (e.g. maternity leave).

1 As a result of the reorganization undertaken between 2016 and 2017 which
2 included trading or moving resources primarily between Nalcor and Hydro, the
3 Nalcor-wide departmental FTE numbers, including Hydro departments, are
4 provided in PUB-Nalcor-140, Attachment 3 for the same point in time, end of 2016
5 and beginning of 2017.



Staff Update - Organizational Changes

Stan Marshall to: All Users

06/15/2016 11:10 AM

From: Stan Marshall/NLHydro

To: All Users

History: This message has been forwarded.

Good morning,

Thanks to all who were able to participate in this morning's call. For those of you unable to join in, I'd like to take this opportunity to share the details with you.

Following the quarterly financial update on May 13, I advised everyone that I was undertaking a review of the executive structure of the company.

Over the past month, I've worked closely with the leadership team and yesterday presented a revised executive structure to the Board of Directors which was subsequently approved.

Let me begin by saying that the objective is simple - we must deliver on our company's priorities. Those priorities are:

- o Successful completion of the Muskrat Falls Project;**
- o Preparing our electricity system for integration of Muskrat Falls power; and finally**
- o To create a clear separation between our regulated business - Newfoundland and Labrador Hydro and our unregulated business. We must also continue providing safe, reliable electricity to our customers.**

My goal is to implement these changes in a way that is not too disruptive to the operations or the people in the company; however, I fully understand that changes such as these can be challenging, and I ask for your support as we implement this new structure.

The revised executive structure results in five Executive Vice Presidents; in the case of Hydro, the Executive title will be President. As part of this revised structure, Hydro will become a separate and distinct operation with clear separation from Nalcor's other lines of business.

Staff who currently provide 100% support for Hydro, but report to a Nalcor executive, will see a change in their reporting relationship and will ultimately report to a Hydro executive. Staff who are part of shared support services will remain in Nalcor, at least for the time being, and will continue to support the various operations of the company in order to minimize disruption.

The focus and intent of this separation is to ensure Hydro's regulated operations are clearly autonomous and separate from the unregulated part of the company. With that in mind, effective June 28, Jim Haynes will return, on a contractual basis, to take on the role of President, Newfoundland and Labrador Hydro.

Many of you know Jim and have worked with him for many years. For those of you who are not familiar, Jim retired from Hydro in April of 2013, after 35 years of dedicated service with the company. At the time of his retirement, Jim was the executive responsible for Hydro.

The Muskrat Falls Project will now be divided into two separate components - Power Development and Power Supply, each with its own Executive Vice Presidents.

Power Development encompasses all generating facilities at Muskrat Falls, including the dams, powerhouse and spillway. Gilbert Bennett becomes Executive Vice President, Power Development.

Power Supply will encompass all transmission related activities and components including Labrador Transmission Assets, the Strait of Belle Isle crossing, and the Labrador-Island Link. John MacIsaac becomes Executive Vice President, Power Supply. John is also responsible for the integration of Muskrat Falls including transition to operations and resumes responsibility for Churchill Falls.

Derrick Sturge will continue in his role as Chief Financial Officer as he becomes Executive Vice President, Finance. Derrick will strengthen financial oversight of the Muskrat Falls Project while continuing to manage the financial operations of Nalcor's unregulated operations.

The remaining lines of business are encompassed under Corporate Services and Offshore Development with Jim Keating as Executive Vice President. Jim will continue responsibility for Nalcor's Oil and Gas business while becoming the executive lead for Bull Arm Fabrication, Energy Marketing, and the company's corporate services including Human Resources, Safety and Environment, General Counsel and Corporate Communications and Shareholder Relations .

All other existing Vice Presidents continue in their current capacity and as part of the leadership team reporting to one of the Executive Vice Presidents or in the case of Hydro, to the President.

I'm confident these changes will clearly focus the company's attention on our areas of key risk and allow us to deliver on our company's priorities and our commitment to manage our operations in the best interest of the people of the province.

Thanks

Stan



Stan Marshall Update, June 15 2016.pptx

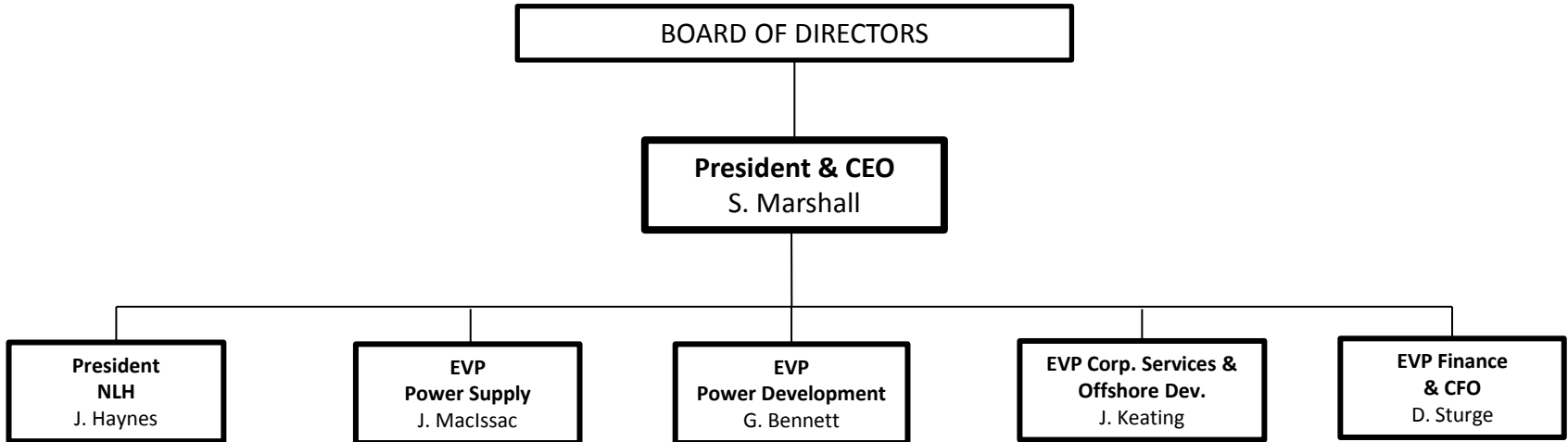
Update from Stan Marshall

June 15, 2016

Boundless Energy



Executive Structure



FTE's by Company, Division, & Department
before and after 2016 reorganization

Home Company	Home Business Unit Division	Home Business Unit Department	FTE at Pay Period 26 ² (Annualized ¹) 2016	FTE at Pay Period 01 ³ (Annualized ¹) 2017	Comments
	Executive Leadership & Assoc.	Corp. Comm & Shareholder Rel	8.0	8.0	
		Executive Leadership	8.0	8.0	
		General Counsel/Corporate Sect	4.5	4.0	Shared Service Review - Reorganization between Nalcor & Hydro
	Executive Leadership & Assoc. Total		20.5	20.0	
	Finance/CFO	Commercial, Treasury and Risk	18.0	17.0	
		Corp Contr Energy Inv & CF	-39.1	6.0	
		Finance	62.6	17.0	
		Information Systems Nalcor	54.0	48.0	
		Internal Audit	7.0	5.0	
	Finance/CFO Total		102.5	93.0	Shared Service Review - Reorganization between Nalcor & Hydro
	Human Resources & Org. Effect.	Environmental Services	5.9	6.9	
		Human Resources	5.0	14.0	
		Safety & Health	5.0	6.0	
	Human Resources & Org. Effect. Total		15.9	26.9	Shared Service Review - Reorganization between Nalcor & Hydro
	Lower Churchill	LC Project	73.3	56.8	
	Lower Churchill Total		73.3	56.8	
	Power Supply	Engr Services Power Supply	36.6	19.5	
		Menihek Generation	2.9	2.9	
	Power Supply Total		39.5	22.4	Shared Service Review - Reorganization between Nalcor & Hydro
	Strategic Planning & Bus. Dev.	Gull Island	1.0		
		Strategic Planning & Bus. Dev.	2.9	2.0	
	Strategic Planning & Bus. Dev. Total		3.9	2.0	Shared Service Review - Reorganization between Nalcor & Hydro
	Transition to Operations	Transition to Operations		9.9	
	Transition to Operations Total			9.9	
Nalcor Total			255.7	231.0	
	Corp Serv & Reg Affairs	Communications NL Hydro	2.0	3.0	Shared Service Review - Reorganization between Nalcor & Hydro
		Customer Service	35.1	38.2	
		Energy Efficiency	5.7	6.0	
		Environmental Services Hydro	8.0	6.9	Shared Service Review - Reorganization between Nalcor & Hydro
		Human Resources Hydro	43.1	33.1	Shared Service Review - Reorganization between Nalcor & Hydro
		Regulatory Affairs	12.0	12.0	
		Safety & Health Hydro	4.0	3.0	Shared Service Review - Reorganization between Nalcor & Hydro
	Corp Serv & Reg Affairs Total		109.9	102.2	
	Engineering Services Hydro	Engineering Services Hydro	76.8	83.4	
		Info & Operations Tech Hydro	18.0	24.0	
	Engineering Services Hydro Total		94.8	107.4	Shared Service Review - Reorganization between Nalcor & Hydro
	Executive Leadership Hydro	Executive Leadership Hydro	5.0	5.0	
		Gen Counsel/Corp Sect Hydro	1.0	2.0	Shared Service Review - Reorganization between Nalcor & Hydro
	Executive Leadership Hydro Total		6.0	7.0	
	Finance NL Hydro	Finance NL Hydro	31.5	27.6	
		Internal Audit Hydro		1.0	
		Supply Chain	25.9	29.9	
		Treasury Hydro	2.0	2.0	
	Finance NL Hydro Total		59.4	60.5	Shared Service Review - Reorganization between Nalcor & Hydro

Home Company	Home Business Unit Division	Home Business Unit Department	FTE at Pay Period 26 ² (Annualized ¹) 2016	FTE at Pay Period 01 ³ (Annualized ¹) 2017	Comments
	Non-Regulated Operations	Business Systems - Hydro	5.0	5.0	
		Finance Non-Reg ⁵		6.7	Shared Service Review - Reorganization between Nalcor & Hydro
		Natuashish	2.0	2.0	
	Non-Regulated Operations Total		7.0	13.7	
	Operations	Exploits Generation	49.9	38.1	
	Operations Total		49.9	38.1	
	Production Operations	Gas Turbines	11.0	11.0	
		Hydro Production	94.3	89.4	
		Thermal Production	110.8	106.4	
	Production Operations Total		216.1	206.7	
	Transition to Operations	BTPO Team (NR)	3.9		
		Ready for Integration (NR)	4.0		
		Transition to Operations	1.0		
	Transition to Operations Total		8.9		
	Transmission Operations	Generation & Rural Planning	7.0	6.0	
		NL System Operator	23.0	24.0	
		TRO Northern & Labrador	159.9	160.0	
		TRO Western & Eastern	149.1	149.6	
	Transmission Operations Total		338.9	339.7	
Hydro Total			890.9	875.3	
	CF Operations	Business Systems	1.0	1.0	
		CF Eng & Support Services	31.1	31.1	
		CF Finance & Corporate Service	7.1	7.1	
		CF Human Resources	11.1	11.7	
		CF Production	71.5	70.0	
		CF Safety, Health & Env	2.2	2.0	
		CF Transmission & Site Service	157.2	151.4	
	CF Operations Total		281.1	274.3	
CF Total			281.1	274.3	
	Energy Marketing	Energy Marketing	18.5	19.0	
	Energy Marketing Total		18.5	19.0	
NEM Total			18.5	19.0	
Grand Total⁴			1,446.2	1,399.7	

Note 1: FTE numbers on a per pay period basis are partial year, therefore numbers in the chart are annualized for comparative purposes; does not include inter- and intra-company labour recharge.

Note 2: Pay period 26 was the last pay period of 2016 and FTE data before reorganization implementation in HRIS

Note 3: Pay period 01 was the first pay period of 2017 and FTE data after reorganization implementation in HRIS

Note 4: Total excludes OilCo and Bull Arm Fabrication.

Note 5: Unionized workers in Hydro performing work for the non regulated business, including a portion outside of Hydro.