

1 Q. Please provide any internal studies that evaluate or compare shared service
2 functions and costs versus external service providers.

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5 A. No such formal study has been undertaken to date; however, Hydro underwent a
6 review as part of changes to its organizational structure in 2016. The process is
7 outlined PUB-Nalcor-168, Attachment 1, filed in the response to PUB-NLH-024 as
8 part of the 2017 General Rate Application.

1 Q. **2017 General Rate Application - Operations**

2 Pages 3.2-3.3 – Describe the process used to determine that the 2016 changes to
3 the organizational structure were the appropriate changes, including whether
4 external consultants were included in the process.
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7 A. Hydro's organizational structure changes were led by the President of Hydro, Mr.
8 Jim Haynes, following his appointment to the position in June 2016. Mr. Haynes was
9 appointed with an initial mandate to oversee and create an organizational model
10 with the requisite executive structure required to operate Hydro as an
11 independent, standalone regulated utility. This was a distinct change from the
12 matrix model used by Hydro and Nalcor from 2005-2016.
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14 The process used in the creation of the separate and dedicated executive team and
15 structure included: i) a review of the report, which included recommendations, by
16 the Board's external consultant Liberty Consulting Group;¹ ii) a review of Hydro's
17 pre-2005 structure; and iii) a review of the structure of other regulated utilities
18 across Canada, including Newfoundland Power Inc.²
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20 The overall goal of the organizational changes was to ensure organizational
21 independence for Hydro related to operations management, financial management,
22 performance accountability, regulatory oversight, and control and accountability for
23 shared services. Under the direction of the President, the organizational structure
24 was focused on: i) identifying opportunities to enhance overall organizational

¹ Report to the Board of Commissioners of Public Utilities – Review Supply Issues and Power Outages Island Interconnected System, December 17, 2014.

² Including Nova Scotia Power, New Brunswick Power, Manitoba Hydro, Ontario Power Generation, Epcor, and BC Hydro.

1 effectiveness; ii) adopting a structure appropriate for Hydro's business environment
2 and objectives for the near-term period; iii) minimizing intercompany transactions;
3 and iv) enabling future compliance with possible changes concurrent with the
4 interconnection to the North American Grid.

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6 Hydro's Board of Directors approved the President's recommendations related to
7 the new Hydro organizational structure in August 2016. The transition to the new
8 structure continued into 2017.

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10 An external consultant was not engaged in the process as it was determined that
11 the President, Executive, and Senior Management of Hydro, with the oversight of
12 the Hydro Board of Directors, had the expertise necessary to create Hydro's
13 organizational structure.