

- 1 Q. Assume for the purposes of this request that all export sales (whether or not from  
2 or involving assets that Nalcor deems regulated) were managed commonly and  
3 under an agency approach (i.e., a third party under contract) rather than under the  
4 internal Nalcor Energy Marketing approach now employed. Under that assumption,  
5 please identify (using organizational charts already provided for the organizations  
6 involved):
- 7 a. The numbers of resources that would move to Newfoundland Hydro's  
8 generation function.
- 9 b. The types and numbers of resources needed to manage and control the third  
10 party providing services and where they would optimally be located (assuming  
11 no regulated/non-regulated split but rather a single group).
- 12 c. The types and numbers of current resources (and their current organizational  
13 location) performing middle and back office roles associated with Nalcor Energy  
14 Marketing operations.
- 15 d. To the extent not already accounted for under part (b) of this question, the  
16 middle and back office resources (numbers and their roles) that would be  
17 required to be employed assuming movement to an agency approach that  
18 combines transactions from all assets, whether or not deemed regulated.  
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- 21 A. The question proposes an agency approach to manage all export sales. While this  
22 may be feasible, the precise nature of the agency relationship and the services  
23 provided thereunder (that can only be determined following commercial  
24 discussions with potential service providers) would influence how Nalcor/Hydro  
25 would implement the concepts identified in the posed questions. For example:  
26 Does the agent provide water management/optimization activities? What is the  
27 incentive structure to drive results, etc.?

With this context, the responses below assume that basic water management activities would be performed by Hydro and that the commercial structure with the third party agent would be structured to incent the agent to pursue income maximization activities. No assessment has been made as to whether the proposed agency approach would be likely to return similar value as currently contemplated under the internal Nalcor Energy Marketing approach. Further, no assessment or consideration has been given as to how Nalcor's existing commercial arrangements might be accommodated under the proposed third party agency approach.

a. While it is anticipated that separating the water management/optimization function and the trading function would produce sub-optimal results, it is also anticipated that Hydro would be reluctant to transfer the water management function to an external, non-affiliated, third party that will likely be servicing other customers/competitors. Therefore it is assumed that the basic water management functions would move to Hydro. In this context the Manager, Water Management and Production Scheduling and the two Hydrotechnical Engineers would move to Hydro.

b. Assuming that the agent would be the entity participating in markets outside Newfoundland and Labrador and take title to any electricity products bought or sold outside of Newfoundland and Labrador, the resources needed to manage and control the third party agent would likely be:

Front Office Functions

Manager/Contract Administrator – one FTE

Trading Specialist – one FTE

1 Market Analysts – two FTE

2 IT Support – 0.5 FTE

3  
4 Middle Office Functions

5 Risk Analyst – 0.5 FTE

6  
7 Back Office Functions

8 Controller/Team Lead – one FTE

9 Senior Financial Analyst – one FTE

10 Settlements Analyst – one FTE

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12 In the absence of detailed analysis, it is anticipated that these roles would be  
13 organized similar to the current organization of the front, middle and back  
14 offices with the front office reporting into either an operations or finance  
15 organization, and the middle and back offices reporting into a finance  
16 organization.

- 17  
18 c. Current resources performing middle and back office roles associated with  
19 Nalcor Energy Marketing operations are:

20  
21 Middle Office

22 Financial Risk and ERM Lead – 0.2 FTE

23 Senior Risk Analyst – 0.7 FTE

24  
25 While accountable to the Director, Nalcor Energy Marketing for business  
26 delivery, these resources are currently located within the Finance/CFO

organization under the Director, Financial Planning, Treasury and Risk Management.

Back Office

Corporate Controller – 0.25 FTE

Team Lead Energy Investments – one FTE

Settlements Analyst – one FTE

Senior Financial Analyst – one FTE

While accountable to the Director, Nalcor Energy Marketing for business delivery, these resources are currently located within the Finance/CFO organization under the VP Finance, Power Supply.

d. Please see response to question b. above.