

1 Q. In April 2019, the Provincial Government released its rate mitigation plan,
2 “Protecting You from the Cost Impacts of Muskrat Falls”. Page 6 of the Plan includes
3 a reduction in Nalcor’s expenses of \$20 million as a result of organizational change.
4 Has Nalcor received direction from the Provincial Government relating to this
5 initiative? Has Nalcor prepared a plan to achieve this reduction of \$20 million?
6 What savings/initiatives have been identified to date, and how does Nalcor intend
7 to meet the target?

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10 A. Nalcor Energy is aware of the Provincial Government’s public policy framework for
11 rate mitigation released on April 15, 2019. Nalcor views this framework as a
12 statement of shareholder expectations for the company. As outlined on page six,
13 the expectation is that Nalcor source reductions of \$20 million related to
14 organizational change. Nalcor understands that this target was largely informed by
15 the Phase I report from Liberty Consulting Group, outlining a potential 5% reduction
16 in FTEs as a result of reducing suggested duplication and improving efficiency. The
17 framework states that these reductions are to be considered and implemented for
18 Nalcor’s budget year beginning in January 2021.

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20 Nalcor has not yet developed its final plan to achieve this cost reduction, though
21 preliminary work is underway with the Board of Directors and Management. The
22 Company is committed to finding savings that do not compromise the reliability
23 expectations of the Province and is currently considering an appropriate approach
24 in order to do so. Work includes the identification of opportunities for cost
25 reductions and efficiencies, many of which are being explored through participating
26 fully with Liberty, to determine the types of efficiencies that can be realized to
27 achieve the target. While Nalcor anticipates a reduction in staffing levels as a result

1 of the completion of the Muskrat Falls project and the subsequent closure of
2 Holyrood once the new Muskrat assets are proven reliable, the company must also
3 be positioned to effectively manage the newly incorporated Muskrat Falls assets to
4 deliver reliable power to its customers.

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6 Nalcor's first priority is to ensure the assets are in service and reliable before
7 considering and executing any amount of suggested significant structural change.
8 As such, all strategies and potential avenues to find savings must be sought out and
9 strategically considered to ensure reductions are responsible and do not
10 compromise delivery and successful integration of a reliable Muskrat Falls
11 project or any other corporate priorities set at the time. Nalcor believes this is also
12 the expectation of customers and the shareholder.