

1 **Q. 2013 General Rate Application, Intercompany Charges and Shared Services**

2 Did Hydro complete, by itself or through others, including external consultants, any
3 analysis of the options available for the organizational structure for Hydro and its
4 relationship with Nalcor? If yes, provide a copy of such analysis or report.

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7 **A.** All analyses related to the appropriate organizational structure for Hydro and its
8 relationship with Nalcor have been conducted internally. As Nalcor became
9 established as a new entity and started to position for diversification outside its
10 core business of electricity generation and transmission, increasing attention was
11 given to Nalcor's overall organizational structure, and the organizational structures
12 of Nalcor's various lines of business, including Hydro. Much of this work was done
13 in 2008, and carried over into 2009.

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15 An early decision made by the Nalcor Leadership Team, which had important
16 organizational implications, was to adopt a matrix approach¹ to the sharing of
17 functional support services across the various Nalcor entities. Many of these
18 support services were, and continue to be, located inside Hydro. This model was
19 adopted as the preferred alternative to a more decentralized structure in which
20 each of the Nalcor lines of business would maintain their own functional support
21 groups on an independent, stand alone basis. This approach was seen to be more
22 beneficial for each of the lines of business, and Hydro in particular, in terms of:

¹ Matrix organization – This term describes a grid like organizational structure comprised of multiple business dimensions interacting with each other. In Nalcor's context, which is a typical matrix arrangement in industry, the Company's lines of business are on one dimension, and functional support areas are on the other dimension providing corporate services support across all business units.

- a) cost-effectiveness, and the ability to optimize the available people and systems within Hydro and across Nalcor generally;
- b) leveraging the available people resources in areas which were highly specialized and in limited supply;
- c) promoting consistency and standardization of functional best practices; and,
- d) enabling coordination and alignment where planning and decision making required the integrated involvement of two or more lines of business and/or functional divisions.

Organizational design work that was undertaken in 2008 and 2009 was completed internally by the President and CEO in consultation with his Leadership Team and the Boards of Directors of both Nalcor and Hydro, and did not involve any reports or analyses by external consultants. Nalcor's Leadership Team did adopt several guiding principles as part of the organizational review process. In particular, while it was acknowledged that Nalcor business units shared a common core identity as reflected in the Company's vision, values and goals, the Company was committed to ensuring that line of business mandates were clear and separable, and that clear, single point accountability existed for each line of business. Additionally, it was understood that Nalcor's organizational structures must enable, and not impede, collaboration and teamwork between different business units and lines of business. These guiding principles are reflected in the manner in which Hydro's organizational structure was established in relationship to Nalcor's overall structure, and this continues to be the case today.