

1 Q. Further to the response to PUB-NLH-141 which states that all analyses relating to  
2 the organizational structure for Hydro and its relationship with Nalcor were  
3 completed internally, provide copies of all such internal analyses, studies, reports  
4 and memoranda.

5  
6

7 A. The organizational structures for Hydro and for Nalcor overall have evolved and  
8 been adjusted as necessary to changes in the environment and operating  
9 requirements of both entities, and have followed separate but synchronized  
10 processes. In evaluating organizational changes, both companies have operated  
11 from a shared corporate vision, core values, and organizational principles.  
12 However, how Nalcor should be organized to best serve its interests as a growing  
13 and diversifying energy company has always been balanced against the need to  
14 ensure that the best structure is in place to serve the interests of its regulated  
15 business, Newfoundland and Labrador Hydro.

16

17 The organizational structure for Hydro has evolved since 2008 in three stages  
18 coinciding generally with the following events:

- 19 1. Creation of the Energy Corporation of Newfoundland (ECNL), later branded  
20 as Nalcor, and increased line of business activity outside Nalcor's core  
21 electricity operations (2008/09);  
22 2. Development and implementation of the Company's Asset Management  
23 Framework (2009/10); and  
24 3. Sanction of Phase I of the Lower Churchill Project (2012).

25

26 Hydro's organizational structure will continue to evolve in response to significant  
27 developments in its operating environment. In anticipation of a two-way inter-

1 connection with the North American electricity grid upon completion of Phase I of  
2 the Lower Churchill development (Muskrat Falls), Hydro is already planning for  
3 organizational changes that will be necessary in such an operating environment.  
4 These changes have not yet been determined, but the Company is committed to  
5 having the right structure determined 18-24 months in advance of first power from  
6 Muskrat Falls. This planning effort has been enabled by a structural change made  
7 early in 2013 to consolidate the System Operations and System Planning  
8 departments of Hydro into one division under the accountability of a new Vice-  
9 President of System Operations and Planning.

10  
11 The evolution of Nalcor's and Hydro's organizational structures over the last several  
12 years has been planned and executed internally. All assessments and proposals  
13 have been based on a common set of organization design principles and a clear  
14 understanding of both the underlying business drivers and required outcomes. In  
15 making organizational decisions, a strong emphasis has been placed on internal  
16 engagement and involving individuals and teams throughout the Company who  
17 have brought in-depth experience and an extensive knowledge of our system to  
18 these considerations. These deliberations have often been iterative in nature as  
19 well, by using draft and "straw model" concepts to generate alternatives and to  
20 progress and refine the Company's thinking.

21  
22 **Stage 1: Creation of ECNL and Expansion in Non-Electricity Businesses**

23 Discussions on the organizational structure for Hydro and its relationship with  
24 Nalcor were initiated in early 2008 in the context of a review of the Company's  
25 annual corporate planning process, to ensure it was aligned with Nalcor's evolving  
26 corporate structure and expanding lines of business. This review included a  
27 consideration of alternative organizational designs that occurred throughout 2008  
28 and into 2009. This involved periodic meetings between the CEO and the Vice-

1 President, Human Resources and Organizational Effectiveness; individual Vice-  
2 Presidents; and the Senior Advisor, Corporate Planning. The key documents that  
3 were reviewed internally with Nalcor's Leadership Team and the Company's Board  
4 of Directors are listed below and attached.

5  
6 Attachment 1 - "Proposed Corporate Structure" – Nalcor Leadership Team,  
7 May/2008

8 Attachment 2 - "Proposed Changes to 2008-2009 Planning Process" – Nalcor  
9 Leadership Team, September/2008

10 Attachment 3 - "Organizational Structure" – Nalcor Board of Directors,  
11 November/2008

12 Attachment 4 - "Positioning for the Future" – Nalcor Leadership Team,  
13 November/2008

14 Attachment 5 - "Functional Excellence in a Matrix Organizational Structure" –  
15 Nalcor Leadership Team, March/2009

16 **Stage 2: Development of Nalcor's Asset Management Framework**

17 A key focus for Nalcor in 2009 was the development of an Asset Management  
18 System (AMS) Framework. The Company's objective as stated in Nalcor's 2009  
19 corporate plan was as follows:

20 *"By 2010, have a well documented and comprehensive Asset Management*  
21 *System (AMS) framework, an organization design that drives this AMS, and*  
22 *alignment throughout the organization to ensure that we drive long-term*  
23 *excellence in asset operation, maintenance, utilization and replacement."*  
24

25 While this objective was stated generally, a decision was made to focus exclusively  
26 on AMS development for Nalcor's core electricity businesses, Hydro and CF(L)Co.  
27 Extensive consultation occurred throughout the year with senior operations leaders  
28 across all areas of Hydro's regulated operations, led by a team comprised of the

1 President and CEO; the Vice-President of Regulated Operations; the Vice-President,  
2 Human Resources and Organizational Effectiveness; the Vice-President of  
3 Engineering Services; and the Senior Corporate Planning Analyst. This review  
4 process overlapped somewhat with ongoing organizational work related to the  
5 implementation of Nalcor's matrix organization design.

6  
7 Two key outcomes of this AMS review that were felt to be critical to an effective  
8 AMS Framework were also important from an organizational structure standpoint  
9 for Hydro: 1) standardization of organizational structure and related position titles  
10 in all operating areas in relation to the key functions of long-term asset planning;  
11 short-term work scheduling; work execution (maintenance); operations; and  
12 support services; and 2) the creation of a new General Manager for Transmission  
13 and Rural Operations (TRO) accountable to the Vice-President, Regulated  
14 Operations for all three TRO regions in the Province (Central, Northern, Labrador).

15  
16 The second of these structural changes was deliberated extensively relative to the  
17 AMS requirements of TRO, but also in the context of Hydro's overall management  
18 structure. An eventual reorganization of TRO was adopted in preference to any  
19 earlier consideration of a Chief Operating Officer or dual executive model for Hydro,  
20 on the basis that it was the most effective approach to strengthening operations  
21 management within Hydro's operations, and at the same time would enable the  
22 required level of integration and standardization within the three TRO regions  
23 themselves from both an operations and asset management standpoint. Charts  
24 depicting the changes to Hydro's organizational structure for all areas reporting to  
25 the Vice-President, Regulated Operations are listed below and are attached.

26  
27 Attachment 6 - Asset Management Organization Design – Thermal Generation

28 Attachment 7 - Asset Management Organization Design – Hydro Generation

1 Attachment 8 - Asset Management Organization Design – TRO

2 Attachment 9 - Asset Management Organization Design – System Operations &  
3 Customer Service

4 Given the inherent importance of engineering services related to capital planning,  
5 project execution and technical support within an integrated AMS framework, the  
6 AMS initiative also involved a parallel review of the Company's Engineering Services  
7 model. Significant forecasted growth in the capital programs for both Hydro and  
8 CF(L)Co was a secondary, but important consideration as well.

9  
10 A key organizational change in the newly named Project Execution and Technical  
11 Services (PETS) division was the creation of a senior, dedicated Manager of Project  
12 Execution for each of Hydro and CF(L)Co. This position, as well as processes that  
13 have been implemented to support this "single point of contact" approach, have  
14 resulted in a much more effective capital planning process in support of Hydro, as  
15 well as a more effective delivery of project execution and technical support  
16 services. The organizational structure developed for PETS in 2010 is attached as  
17 Attachment 10. This structure has evolved somewhat since that time, but the  
18 overall basic design remains in place.

19 **Stage 3: Sanction of Phase I – Lower Churchill Project**

20 Phase I of the Lower Churchill Project (LCP) was formally sanctioned by the  
21 provincial government in December, 2012. The organizational implications of  
22 formal sanction and the eventual integration of Muskrat Falls into the provincial  
23 electricity system were being considered leading up to this, and internal  
24 consultations led by the President and CEO were ongoing. These discussions were  
25 focused on ensuring that Hydro was adequately resourced at the right level to  
26 address the many organizational, commercial, and regulatory issues associated with  
27 the Muskrat Falls integration into the provincial electricity system, and the

1 province's integration into the North American grid. An additional critical  
2 consideration was to ensure that this was done in a way that did not detract from  
3 ongoing operations and other priorities within Hydro.

4 Early in 2013 the System Operations and System Planning departments of Hydro  
5 were integrated into one division under the responsibility of a new Vice-President  
6 for System Operations and Planning. This position is accountable to the President  
7 and CEO of Hydro for planning and coordinating the design and implementation of  
8 a Ready for Operations team and the Company's longer-term organization model  
9 for electricity operations. As noted earlier in this response, Hydro expects to begin  
10 transitioning to a new organizational structure in support of long-term electricity  
11 operations 18-24 months prior to the completion of the Muskrat project.

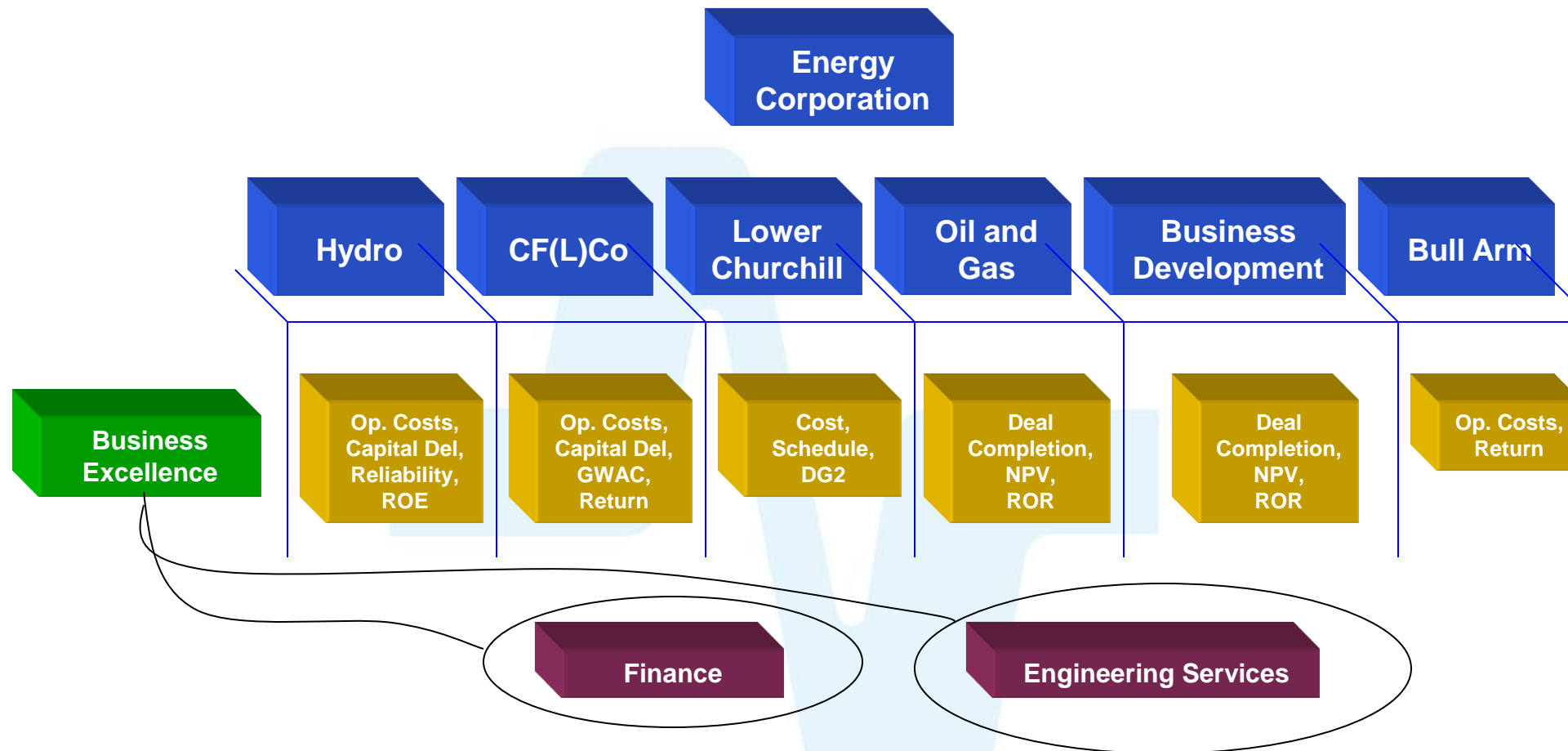


# Proposed Corporate Structure May 2008



	Hydro	CF(L)Co	Lower Churchill	Oil and Gas	Business Development	Bull Arm
Safety	250:1 0 and 0	250:1 0 and 0	250:1 0 and 0	250:1 0 and 0	250:1 0 and 0	250:1 0 and 0
Environment	EMS, Holyrood	EMS	EMS	EMS	EMS	EMS
Business Excellence	Op. Costs, Capital Del, Reliability, ROE	Op. Costs, Capital Del, GWAC, Return	Cost, Schedule, DG2	Deal Completion, NPV, ROR	Deal Completion, NPV, ROR	Op. Costs, Return
People	EOS	EOS	EOS	EOS	EOS	EOS
Community	Public Perception	Public Perception	Public Perception	Public Perception	Public Perception	Public Perception





Business Excellence is dependent upon where the company is in the business life cycle

- Financial measures – return (revenue, cost, cash flow)
- Reliability measures – initial quality, asset management
- Schedule measures – capital delivery, project delivery



# Proposed Changes to 2008-2009 Planning Process

## September 2008

# Outline

1. Purpose
2. Background
3. Evolving Business Needs
4. Recommended Changes to Planning Process
5. Proposed Straw Model
6. Proposed 2008/2009 Process Milestones and Timeline
7. Summary

# Purpose

- To discuss the next steps in the evolution of the corporate strategic planning process to maintain alignment with emerging corporate structure and needs
- To establish the plan of attack for launching and executing the 2008/2009 corporate strategic planning process

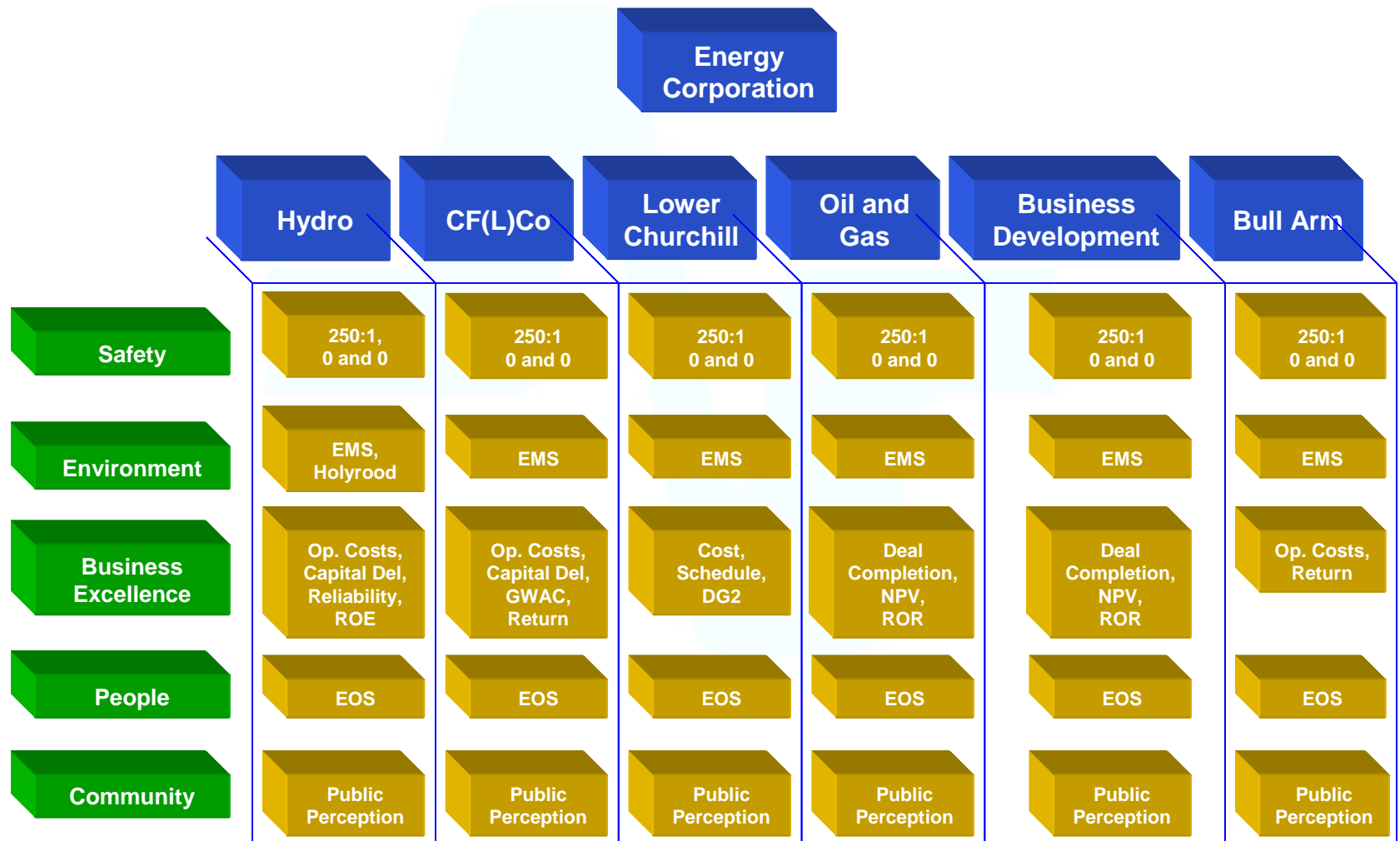
# Background

- Current process is maturing
- Strong focus to date on “process excellence” and widespread involvement
- Process heavily based upon activity in the two electrical utility lines of business
- Some confusion about the scope of some Goal Working Group activities, especially as it relates to Operational Excellence ... are objectives to be set for the two utilities or for the corporation as a whole?
- Process is not integrated into the broader reporting requirements of the company
  - ❖ Transparency and Accountability Act
  - ❖ Annual Reports
  - ❖ General Rate Applications and regulatory reporting

# Evolving Business Needs

- Line of business approach (see following chart)
  - ❖ Tuning of process to the unique nature of each line of business
- Clear path to relate appropriate targets across lines of business and to corporate overall performance
- Greater clarity on the parameters and scope of goal working groups (line of business versus corporate focus)
- Increased requirement for multi-year planning and target setting
- Seamless linkage to reporting activities
  - ❖ Internal reporting
  - ❖ External reporting (Transparency, PUB, annual report, etc)
- Further integration of corporate, divisional and departmental plans into daily life
  - ❖ *“The corporate part is done; now it’s time for folks to do their part.”*

# Evolving Business Needs



# Recommendations - Overview

- Reduce the number of goals from 8 to 5
- Reduce the number of participants for most Goal Working Groups (GWGs)
- Apply each goal to each line of business, but tailor the goal to suit the line of business
- Establish two types of Goal Working Groups
  - ❖ Targeted GWGs for **Business Excellence** objectives, targets and initiatives
  - ❖ Cross-divisional GWGs for each remaining goal (safety, environment, people and community)
- Incorporate more leadership guidance in the operation of each goal working group
  - ❖ Prewrite with key players in each goal to focus on key results
- Encourage multi-year target setting and initiative identification



## Proposal: Goal 1 - Safety

- One cross-divisional Goal Working Group to set objectives, targets and initiatives for each line of business and for the corporate total
  - Detail provided by line of business for each year
  - Corporate total would be a function of each line of business performance
  - Will probably have similar types of measures for each line of business
- Sponsor provides guidance to and input on GWG discussion

### Example of Targets Package

Year: 2013	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2012	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2011	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2010	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2009	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Safety Target 1 (LTIR)	a1	b1	c1	d1	e1	f1	g1	$f(a1, b1, c1, \dots g1)$	← Like-to-have
Safety Target 2 (Lead/Lag Ratio)	a2	b2	c2	d2	e2	f2	g2	$f(a2, b2, c2, \dots g2)$	← Must have

## Proposal: Goal 2 - Environment

- One cross-divisional Goal Working Group to set objectives, targets and initiatives for each line of business and for the corporate total
  - Detail provided by line of business for each year
  - One measure may not fit all, but must limit the number of measures
  - Not all lines of business would have the same measures
- Sponsor provides guidance to and input on GWG discussion

*Example of Targets Package*

Year: 2013	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2012	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2011	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2010	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2009	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Env. Target 1 (EMS Targets)	a1	b1	c1	Not Applicable	Not Applicable	Not Applicable	g1	$f(a1, b1, c1, g1)$	← Like-to-have
Env. Target 2 (Conservation)	a2	b2	c2	d2	e2	f2	g2	$f(a2, b2, c2, \dots, g2)$	← Must have

## Proposal:

# Goal 3 – Business Excellence

- One mini goal group for each line of business and one mini goal group for Finance and Governance
- Corporate performance established by traffic lighting and/or judgment
- Each mini group to identify key business drivers for their line of business:

Line of Business Type	Possible Financial Performance Measures	Possible Business Delivery Measures
<b>Operating</b> <ul style="list-style-type: none"> <li>❖ NLH</li> <li>❖ CF(L)Co</li> <li>❖ Bull Arm</li> </ul>	ROE	Reliability, Capital Program
<b>Project</b> <ul style="list-style-type: none"> <li>❖ Business Development</li> <li>❖ LCP</li> </ul>	Cost	Schedule
<b>Investment</b> (Oil & Gas)	ROI/Cost	
<b>Corporate Support</b>	ROCE, ROE	Finance & Governance

## Proposal:

# Goal 3 – Business Excellence Cont'd

- Example of possible NLH mini group Business Excellence targets

NLH	2009	2010	2011	2012	2013
Financial Target (ROE)	5%	13%	11%	7%	13%
Reliability Target 1 (DPUI)	11.9	11.2	10.77	10.77	10.77
Reliability Target 2 (Availability)	97.0%	97.5%	97.5%	97.5%	97.5%

- Proposed sponsors:
  - ❖ NLH – Jim Haynes
  - ❖ CF(L)Co – Andy MacNeill
  - ❖ Bull Arm & Business Development – Jim Keating
  - ❖ LCP – Gilbert Bennett
  - ❖ Corporate Support – Derrick Sturge
  - ❖ Oil & Gas - ?

## Proposal: Goal 4 - People

- One cross-divisional Goal Working Group to set objectives, targets and initiatives for each line of business and for the corporate total
  - ❖ Detail provided by line of business for each year
  - ❖ One measure may not fit all, but must limit the number of measures
  - ❖ Not all lines of business would have the same measures
- Sponsor provides guidance to and input on GWG discussion

*Example of Targets Package*

Year: 2013	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2012	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2011	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2010	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2009	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
People Target 1 (Turnover Rate)	a1	b1	Not Applicable	d1	Not Applicable	f1	Not Applicable	$f(a1, b1, d1, f1)$	← Like-to-have
People Target 2 (EOS)	a2	b2	c2	d2	e2	f2	g2	$f(a2, b2, c2, \dots g2)$	← Must have

## Proposal: Goal 5 - Community

- One cross-divisional Goal Working Group to set objectives, targets and initiatives for each line of business and for the corporate total
  - Detail provided by line of business for each year, and may require a separate target for ECNL
  - One measure may not fit all, but must limit the number of measures
  - Not all lines of business would have the same measures
- Sponsor provides guidance to and input on GWG discussion

### Example of Targets Package

Year: 2013	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2012	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2011	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2010	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Year: 2009	NLH	CF(L)Co	BASCo	OilCo	Business Development	LCP	Corporate Services	ECNL Total	
Community Target 1 (MRP)	a1	b1	Not Applicable	d1	Not Applicable	f1	Not Applicable	$f(a1, b1, d1, f1)$	← Like-to-have
Community Target 2 (Citizenship Index)	a2	b2	c2	d2	Not Applicable	f2	Not Applicable	$f(a2, b2, c2, \dots f2)$	← Must have

Line of Business Performance

Corporate Performance

# Advantages and Disadvantages

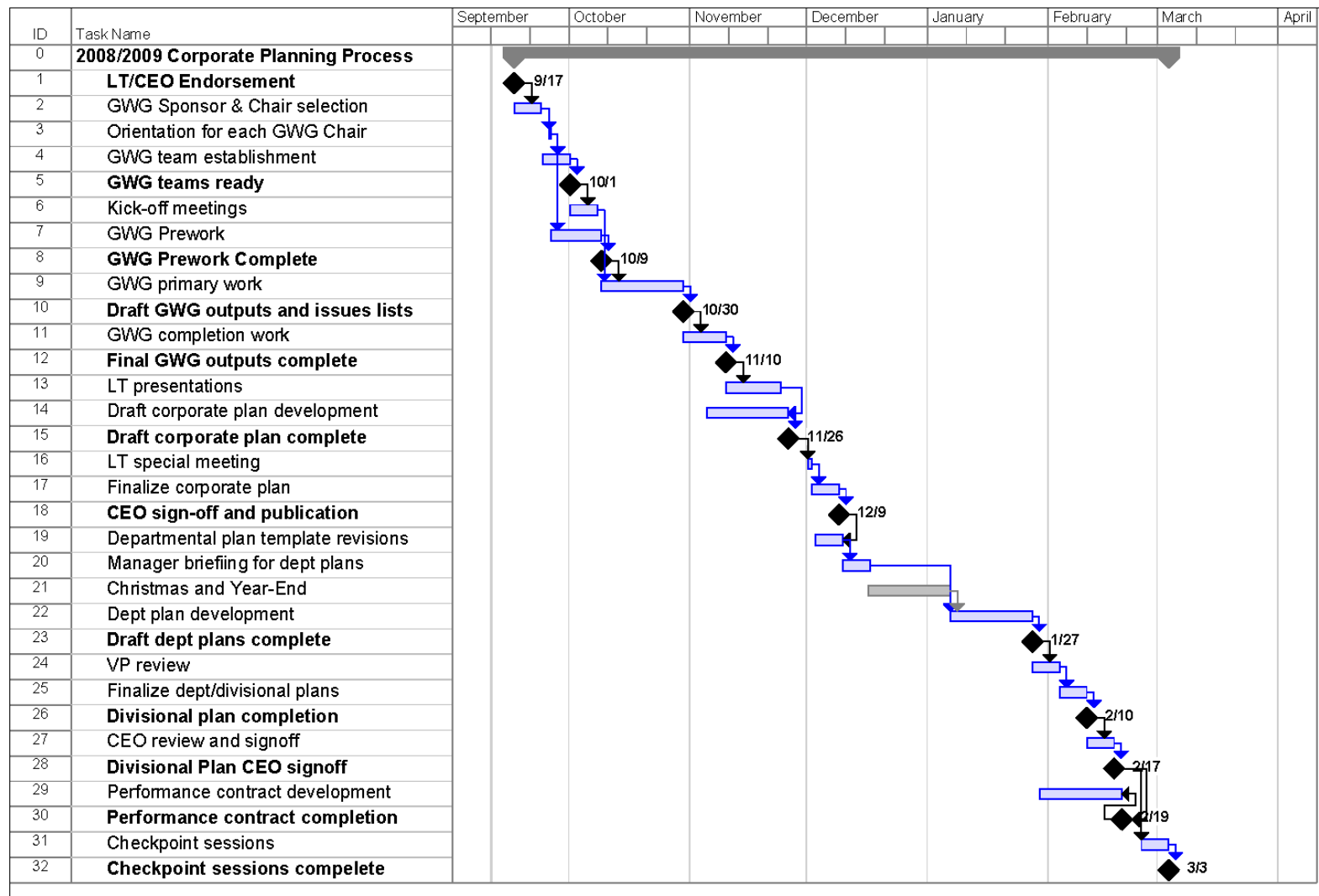
Pros	Cons
<p>Allows for greater focus on key aspects within a line of business</p> <p>Higher Goal Working Group productivity</p> <p>Output should be much more amenable to format/product required from Corporate Planning Process</p> <p>Turnaround time from cycle completion to plan rollout should be reduced</p> <p>Higher probability of meaningful multi-year measures</p> <p>Fewer initiatives and better targets</p> <p>Opportunity to do prework a set of solutions before engaging each GWG</p>	<p>Reduces “cross-fertilization” of ideas at Goal Working Group level</p> <p>Limits learning about other lines of business and their issues</p> <p>Increases effective number of goal working to 11 from 8 (arguably 10 from 8), even though the number of goals reduces</p> <p>Number of targets to be set may discourage participants</p> <p>May limit creativity in some goal working groups or reduce engagement if prework too extensive or guidance too strong</p>

# Proposed Milestones and Timeline

Milestone	Target Date
LT and CEO Endorsement	Sept 17/08
Goal Working Groups (GWGs) in place and ready	Oct 1/08
GWG Prewrite Complete	Oct 9/08
Draft GWG output complete	Oct 30/08
Final GWG output complete	Nov 10/08
Draft corporate plan complete	Nov 26/08
CEO sign-off on corporate plan	Dec 9/08
Draft departmental plans complete	Jan 27/09
Final departmental/divisional plans complete	Feb 10/09
Divisional plan CEO sign-off	Feb 17/09
Performance contracts complete	Feb 19/09
Checkpoint sessions complete	Mar 3/09



# Proposed Milestones and Timeline



# Summary

- Planning process has successfully focused on garnering strong engagement, and has matured
- Business needs have evolved as corporate structure has changed, and as we have gained experience with the current process
- Recommending following changes:
  - ❖ Reduce the number of goals
  - ❖ Reduce the number of participants for most Goal Working Groups
  - ❖ Apply all goals to all lines of business
  - ❖ Use two types of Goal Working Groups (targeted and cross-divisional)
  - ❖ Incorporate more leadership guidance into the Goal Working Group process through prework
  - ❖ Encourage more multi-year target setting and initiative identification
  - ❖ Ensure greater knowledge of and compliance with timelines

# Moving Forward

1. Does the Leadership Team endorse the changes to the planning structure?
  - ❖ 5 goals, applied to a line-of-business approach as outlined
  - ❖ Targeted and Cross-Divisional goal working groups
2. Does the Leadership Team endorse the timeline and milestones?
3. Does the Leadership Team endorse the changes to the operation of the goal working groups?



# Organizational Structure

Board of Directors  
Energy Corporation of Newfoundland and Labrador

November 21, 2008

# Purpose of Presentation

- To update the Board on various changes and initiatives related to ECNL's organizational structure
- Outline
  - ❖ Move to Line of Business focus
  - ❖ Drivers for reviewing organizational structure
  - ❖ Organization design guiding principles
  - ❖ Possible organizational changes
  - ❖ Process strategies
  - ❖ Issues and Next steps

# Moving to a Line of Business Focus

## ■ Leadership Team Structure

- ❖ Separate leadership teams for all lines of business
- ❖ ECNL leadership meeting focused on line of business reporting

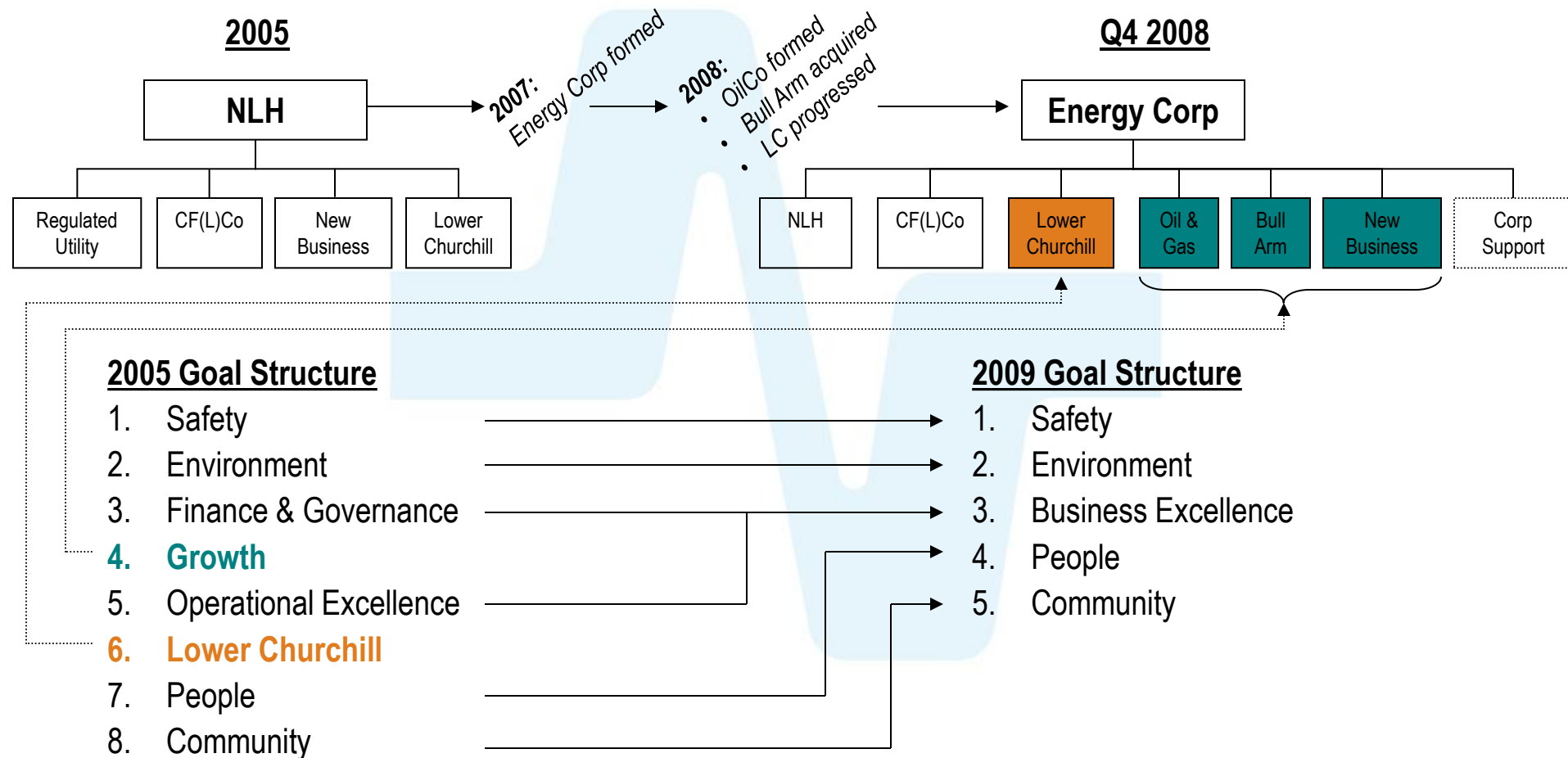
## ■ Corporate Planning Process

- ❖ 2009 planning process based on line of business
- ❖ Corporate goals re-aligned accordingly to focus on corporate-wide areas
- ❖ Lines of business supported by functional groups on a corporate-wide basis

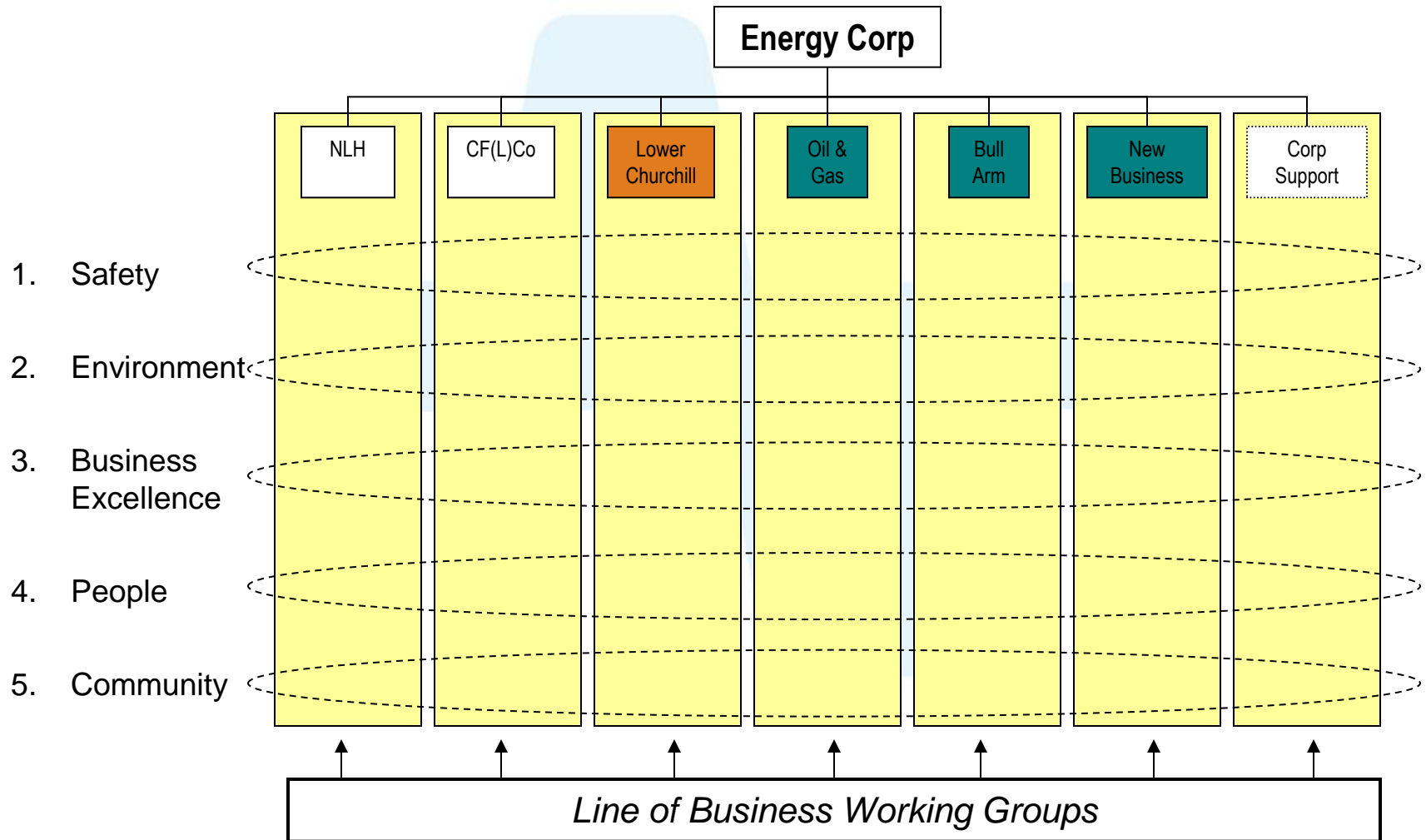
## ■ Organizational Structure

- ❖ Requires alignment to our current state and line of business focus
- ❖ Need to be well positioned for the future
- ❖ Other important drivers and considerations, including ...
  - ◆ Accountability and corporate governance
  - ◆ Transparency of regulated vs. non-regulated operations
  - ◆ Employer separation

# Evolution of Our Goal Structure



# 2009 Corporate Planning Process

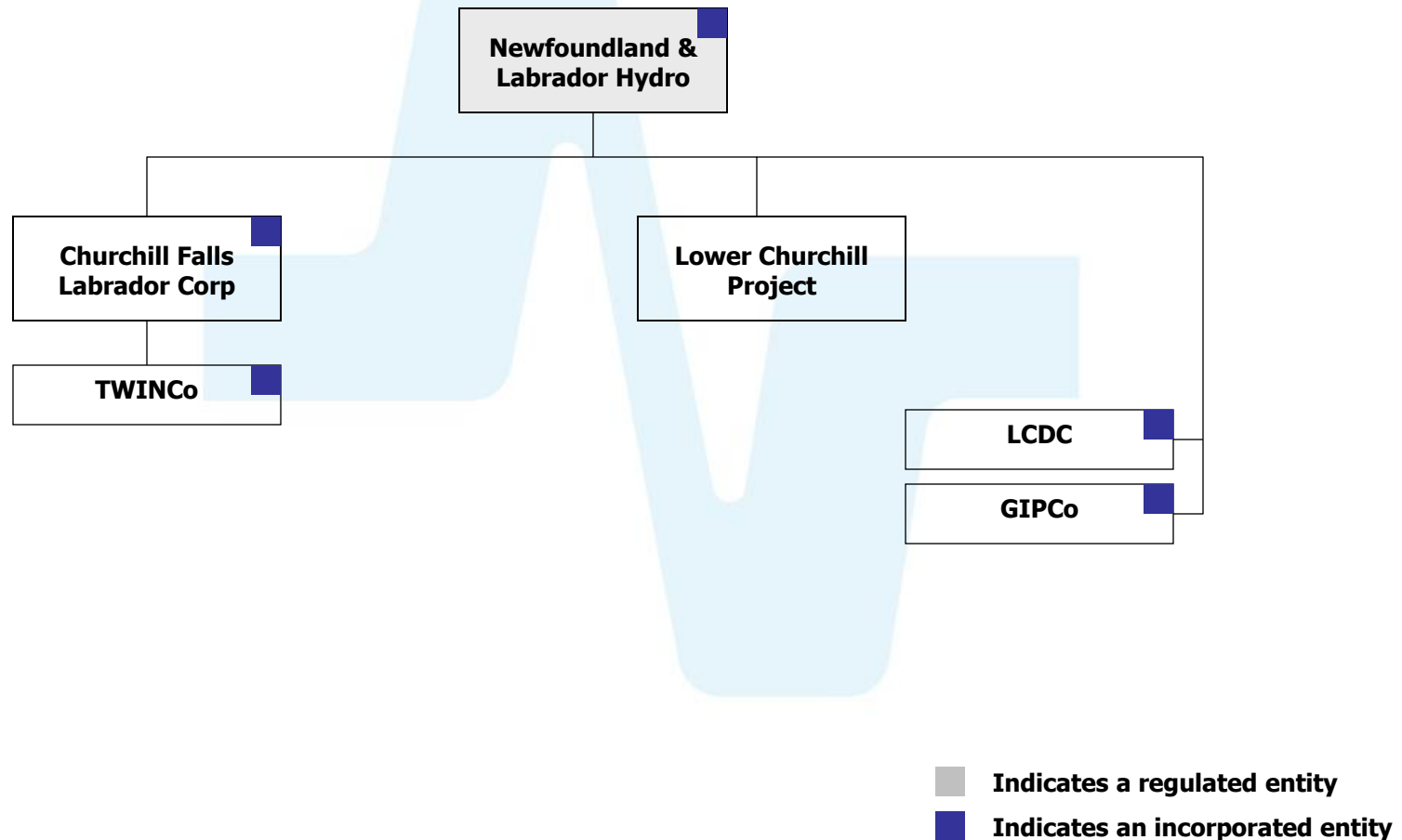




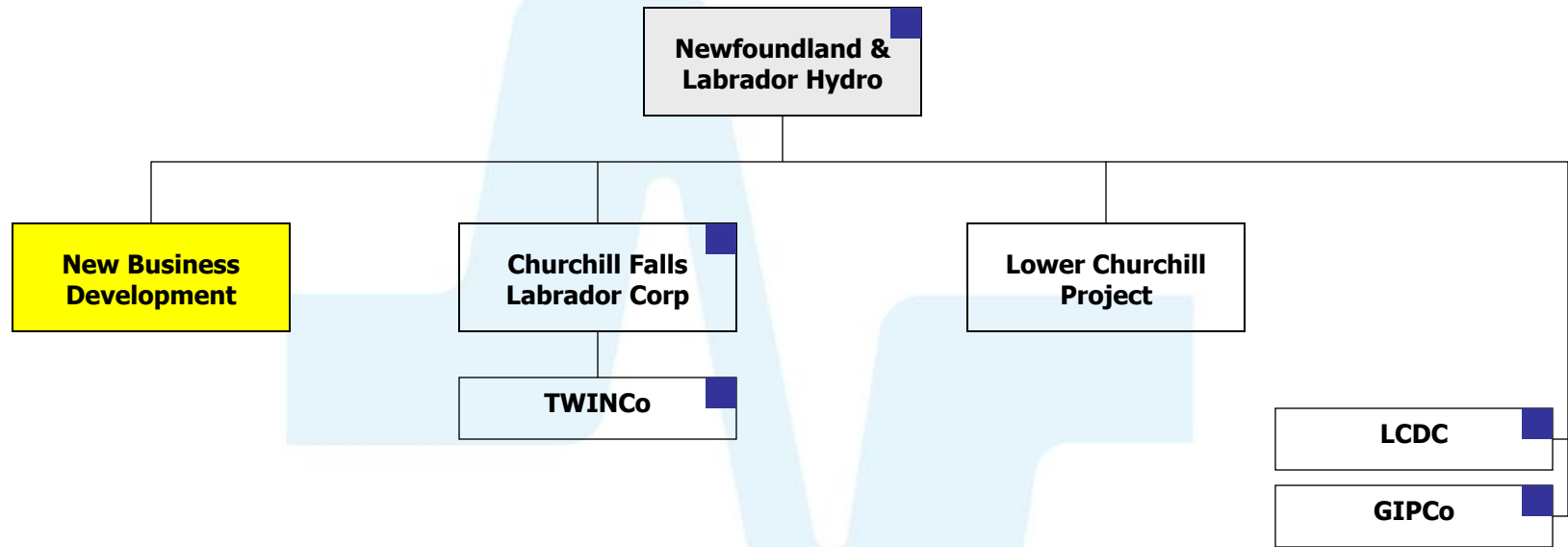
# Drivers for Reviewing Organizational Structure




- ECNL's evolution into multiple lines of business
  - ❖ Three new corporate entities – ECNL, Oil and Gas Co., BASC
  - ❖ Ownership interest in several operating oil and gas projects
  - ❖ Owner, manager and promoter of the Bull Arm fabrication site
  - ❖ Building momentum on LCP – step change will occur with Gate 2 approval
  - ❖ Prospects for further near term growth and diversification
    - ◆ Continuing strong focus on new business development involving ECNL as an enabler, supplier, owner, operator, partner, etc.
    - ◆ Development of new hydro and wind sources driven by need for emissions reductions and future load requirements, including new industrial development
- Maintaining the Core Business
  - ❖ Ensuring that NLH and CFLCo continue to deliver on their electricity mandates as effectively and as efficiently as possible

# Hydro Group - 2005

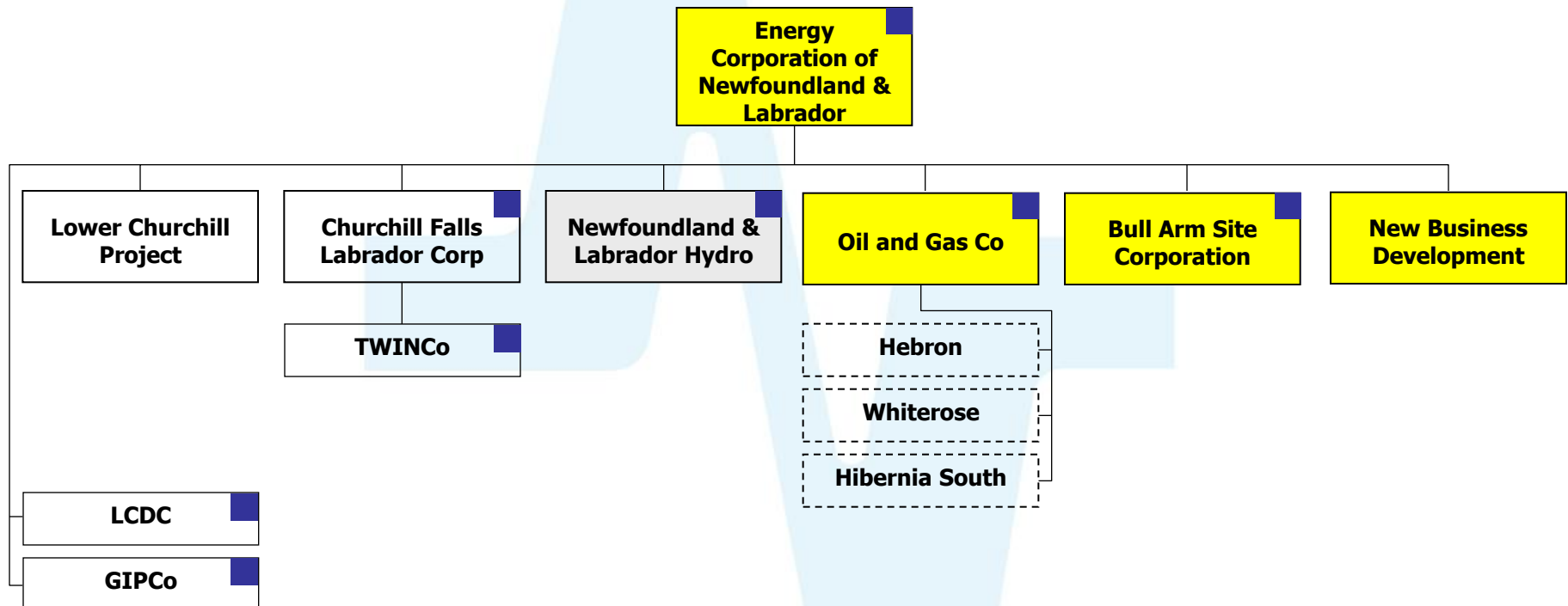





# Hydro Group - 2006



-  Indicates a new entity/activity
-  Indicates a regulated entity
-  Indicates an incorporated entity

# ECNL - 2008



-  Indicates a new entity/activity
-  Indicates a regulated entity
-  Indicates an incorporated entity

# Other Drivers for Reviewing Our Structure

- Corporate Vision and Shareholder Expectations
  - ❖ Energy Plan goals and ECNL's broader energy mandate
- Accountability and Governance Requirements
  - ❖ A growing structure with an expanding span of control
  - ❖ Need for clear delineation of corporate mandates and associated accountabilities for executives and directors
  - ❖ Avoiding potential conflict of interest
- Transparency of Regulated vs. Non-Regulated Activities
  - ❖ Fair attribution of revenue and costs to regulated rate base
  - ❖ Mitigation of risk to regulated operations from non-regulated activities
  - ❖ Facilitation/attraction of external investment in non-regulated activities
- Employer Separation and Identity
  - ❖ Clear delineation between corporate entities as separate employers for employment and labour relations purposes

# Organization Design Guiding Principles

1. We share a common core identity as reflected in our vision, our goals, our values, and our brand
2. Line of business mandates are clear and separable
3. Clear, single point accountability exists for each line of business
4. Decision making boundaries are clear and appropriately match authority with accountability
5. Clear, single points of accountability exist for the delivery of support services to the lines of business
6. Functional excellence is optimized through leading edge standardization across all lines of business where it makes sense – embedded personnel have a solid line accountability to the corporate functional leaders
7. Support services are embedded in the lines of business where they spend the majority of their time
8. Structure must enable, not impede, collaboration and teamwork between different units and lines of business

# Possible Organizational Changes

Organizational Change	Comments
<b>New position – President and COO, Newfoundland and Labrador Hydro</b>	Assigned executive accountability for ECNL's core subsidiary and sole regulated entity. In addition to core operations, this position will have operational accountability for significant embedded support services, PUB liaison, and all other aspects of the operation of NLH.
<b>New position - Vice-President, Oil &amp; Gas</b>	Assigned executive accountability for Oil & Gas Co., and for driving the growth and diversification of ECNL's oil and gas portfolio.
<b>Change Vice-President, New Business to Vice-President, Corporate Planning &amp; New Business</b>	To support the CEO and the ECNL Leadership Team generally with strategic and corporate planning, new business development and integration, special projects, and the management of shareholder and government department interfaces.
<b>Locate all functional leaders within ECNL, except for Engineering Managers and Manager Labour Relations.</b>	<p>This will ensure that all key functional areas have an ECNL company-wide focus and will facilitate the standardization of core policies and processes across all lines of business.</p> <p>Line of Business leaders will have a single point of contact within their areas for all key support services areas. It may be necessary in some areas to designate local team leads where they don't currently exist, where this is justified by the number of embedded employees in a functional area (e.g., HR, IS, Supply Chain).</p>

# Possible Organizational Changes

Organizational Change	Comments
<b>Move System Planning to ECNL</b>	This system integration role touches on multiple lines of business, in particular NLH, Lower Churchill and CFLCo, and is therefore better positioned within ECNL.
<b>Within NLH separate operations and maintenance engineering from capital engineering.</b>	Create a small team from existing forces that would be dedicated to supporting NLH assets from an operations and maintenance standpoint.



# Matrix Support Structure (Draft)

SUPPORT SERVICE AREA	ECNL	LINE OF BUSINESS				
		NLH	CF	LCP	O&G	BASC
Engineering *	E	Mx6	M	M		
Finance & Accounting	E/M					
Human Resources	E/M					
Safety & Health	E/M					
Environmental Services	E/M					
Information Systems	E/M					
Supply Chain	E/M					
Corporate Communications	E/M					
Legal **	E/M					
Labour Relations	E	M				
Strategic Planning	E/M					
System Planning	E/M					
Treasury	E/M					
Investment Evaluation	E/M					
Risk and Insurance	E/M					
Internal Audit	E/M					

\* Different organizational models for engineering services are still under consideration.

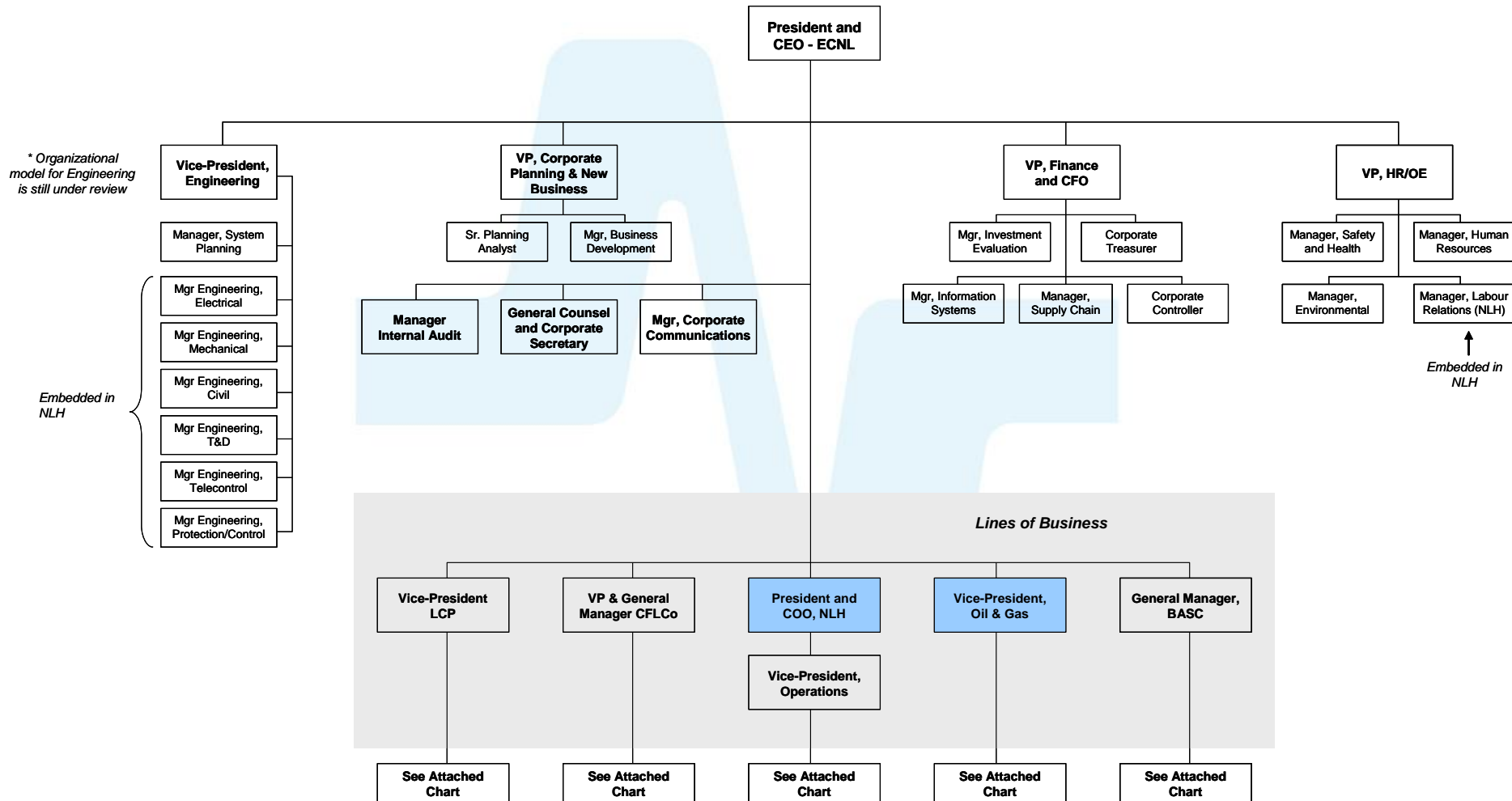
\*\* One legal position dedicated for the near term to CFLCo on a near half time basis.

**E = Accountable VP's Home Company**

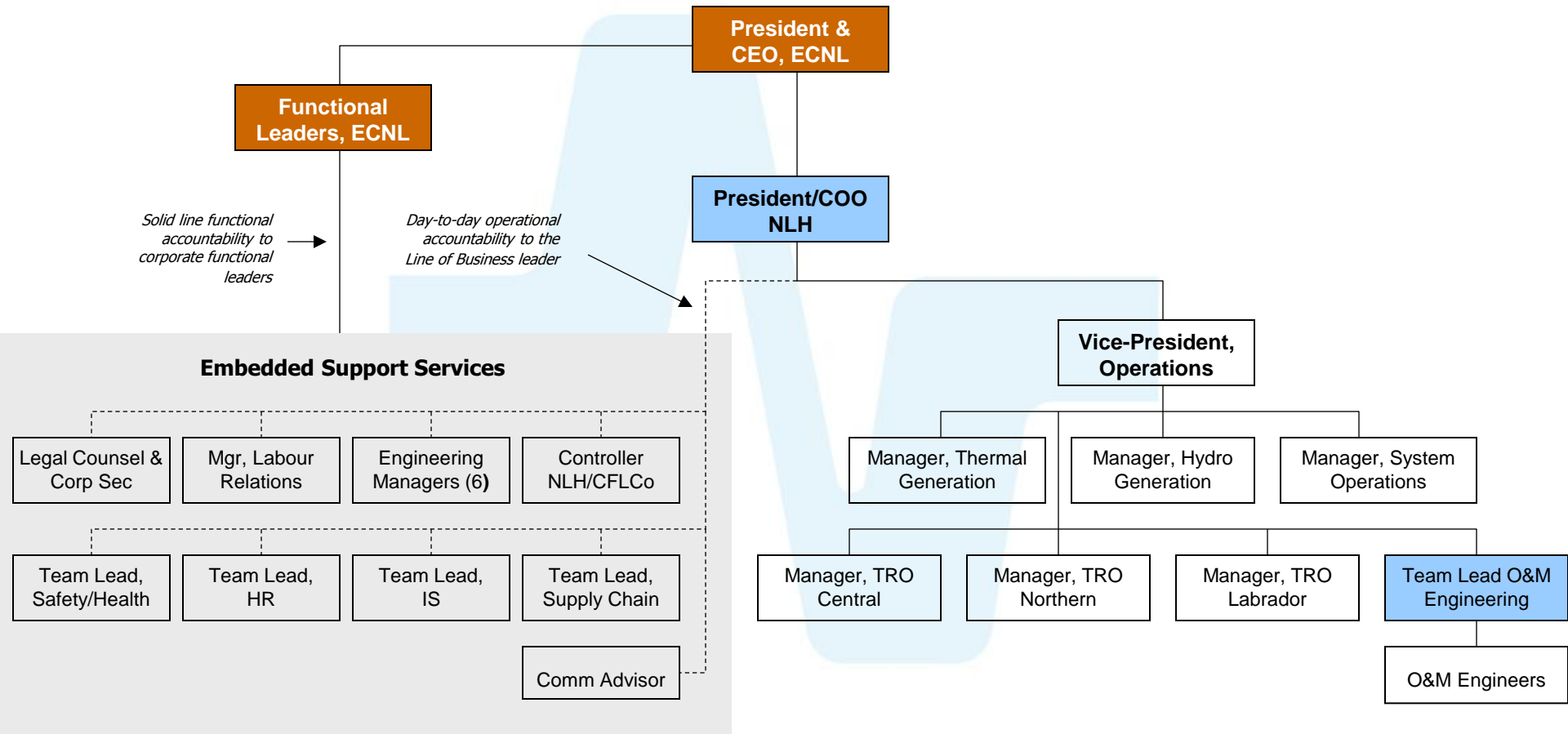
**M = Functional Manager's home company**

**■ Indicates embedded support services**

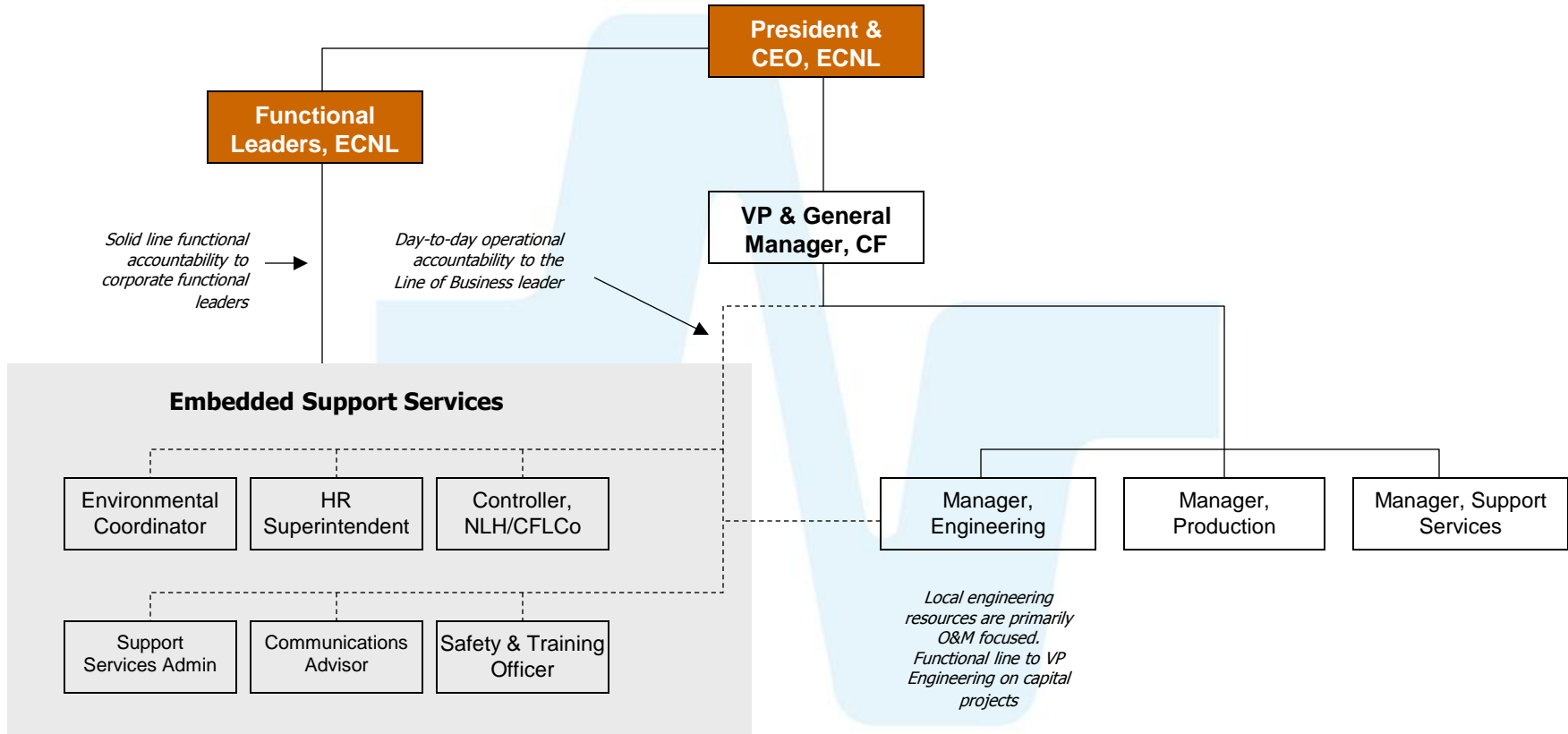
# ECNL Structure (Draft)



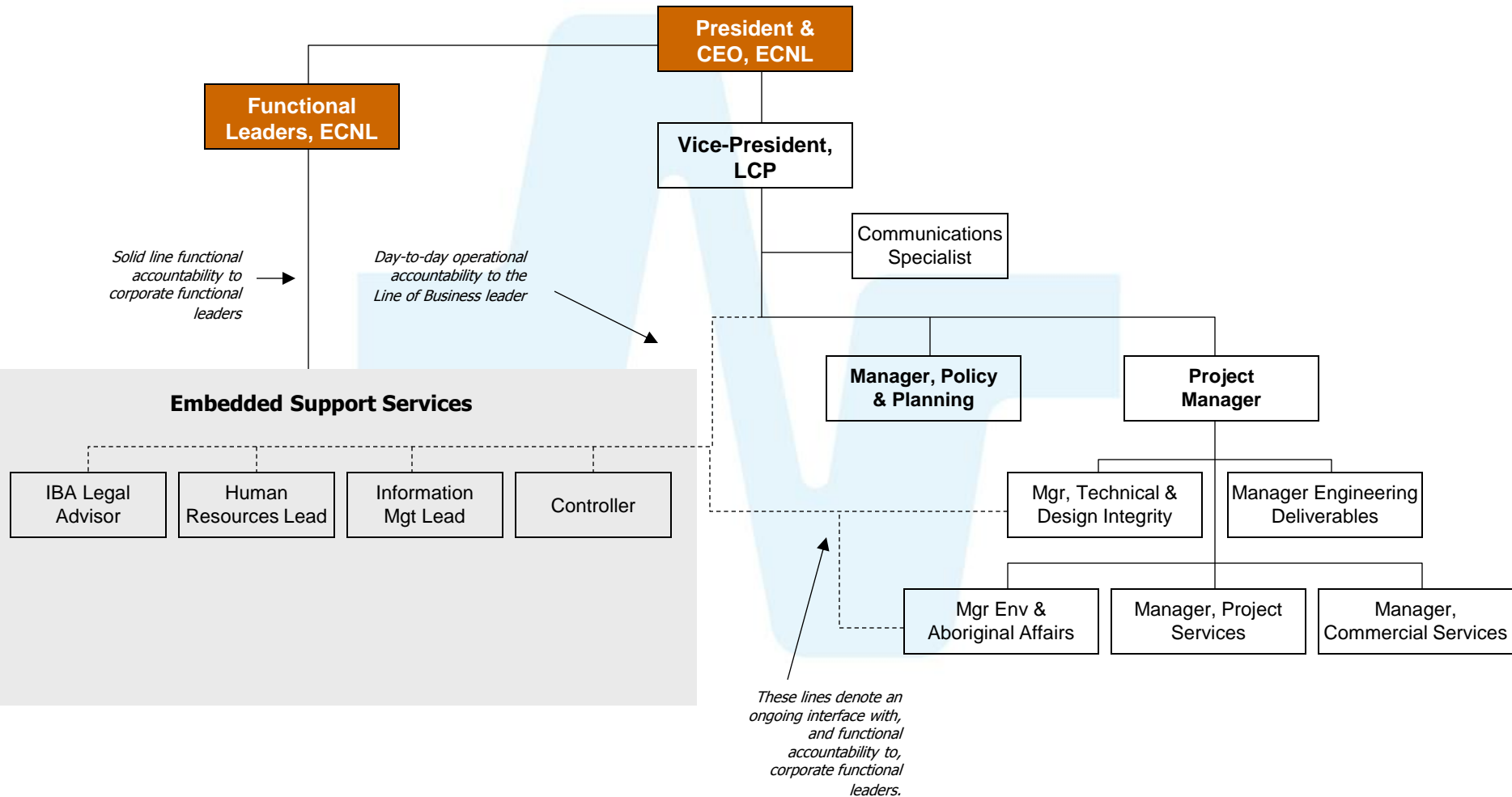
# NLH Structure (Draft)



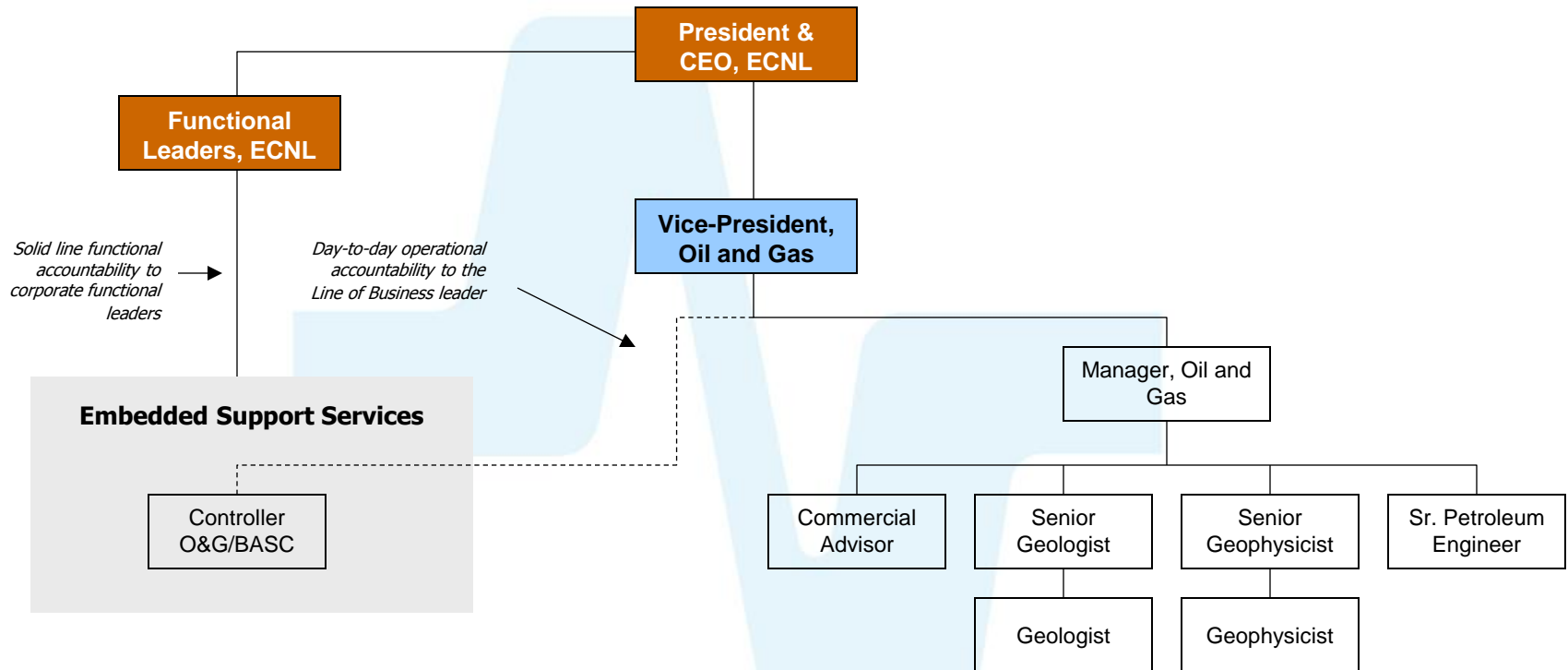
# CFLCo Structure (Draft)



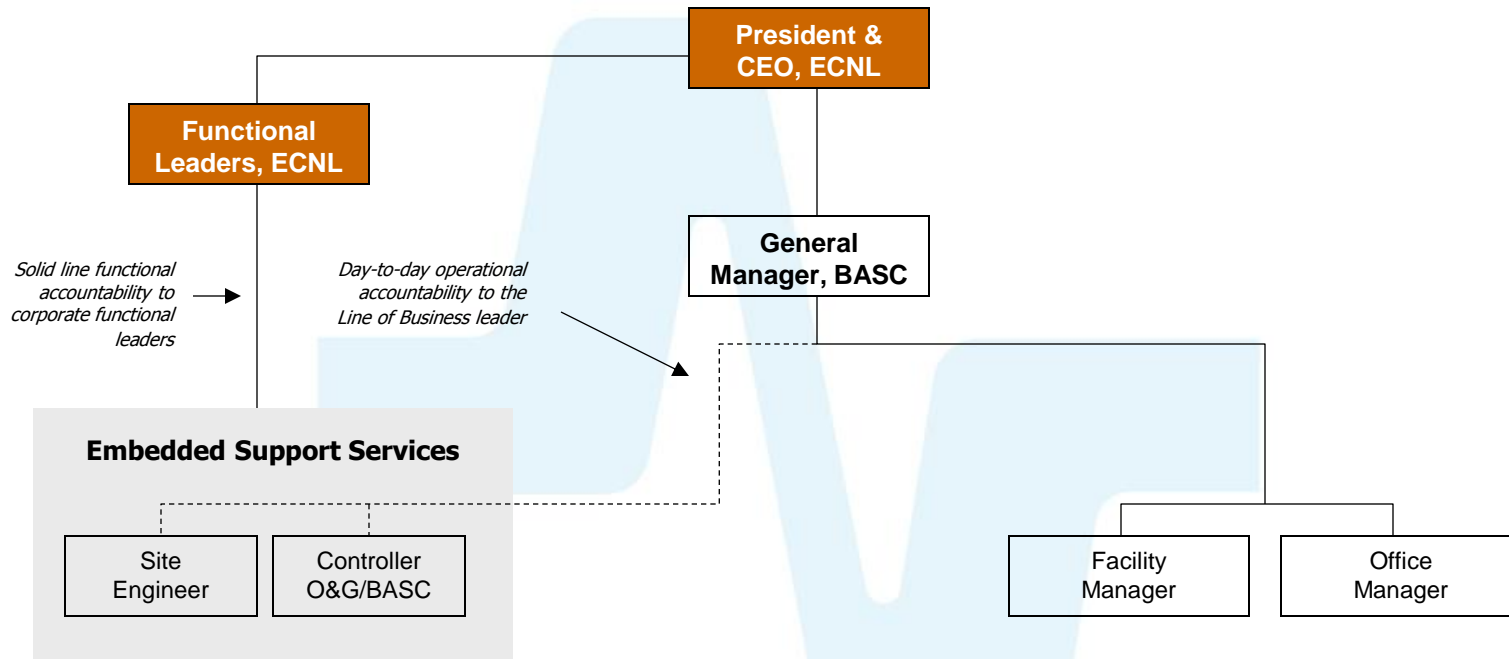
# LCP Structure (Draft)



# Oil and Gas Co. Structure *(Draft)*



# BASC Structure (Draft)



# Process Strategies

Process Strategy	Comments
<b>Documented mandate and vision statement for each line of business</b>	<ul style="list-style-type: none"><li>▪ In progress as part of the company's visioning process</li></ul>
<b>Documented RACI charts for all core business processes (operations and functional)</b>	<ul style="list-style-type: none"><li>▪ Key area of focus in 2009 following the completion of the company's vision statement and organizational structure</li><li>▪ Process will be facilitated by HR/OE in consultation with process owners and other key stakeholders</li></ul>
<b>Establishment of ad hoc or standing cross-functional or cross-business teams where appropriate</b>	<ul style="list-style-type: none"><li>▪ ECNL will have a continuing need to utilize resources and expertise from across different functions and/or lines of business to progress both existing and new projects and business opportunities. Our people and processes must facilitate this when appropriate.</li></ul>



# Issues for Further Consideration

- Engineering
  - ❖ Best deployment to support operating vs. capital
  - ❖ Internal vs. external (contracted out) project management, e.g., facilities improvement contracts
  - ❖ Role of engineers in ongoing contract administration and other similar non-engineering activities
  - ❖ The overall engineering staffing model, e.g., mix of engineers vs. technologists, etc.
- Location of system planning
- Timeline for any personnel moves

# Next Steps

- Final engagement with ECNL leadership team to conclude vision statement and overall organizational design (November)
- Develop and execute an appropriate communication plan for our employees, the Board, our shareholder, and other stakeholders (December)
- Incorporate organizational process work into 2009 corporate plan (December)
- Finalize and implement people assignments (Q1/09)
- Longer term ...
  - ❖ Monitor the need for structural or process changes over time to meet new or changing business requirements, as ECNL continues to grow and diversify





# Positioning for the Future

An ECNL Leadership Team Discussion of  
Vision, Organizational Structure and Branding

November 28, 2008

# Safety Moment



# Several Related Activities and Events Are Converging ...

- Vision Statement
- Re-Branding
- Re-alignment of our corporate planning process to a LOB focus
- Structural changes

*We need to manage this convergence in a planned, integrated, and timely way to ensure we are strongly positioned for the future*

# Purpose of This Session

- To review and finalize ECNL's vision statement
- To review current plans and schedule for corporate branding
- To review proposed changes to ECNL's structure on a go-forward basis
  - ❖ Considerations and Guiding principles
  - ❖ Maintaining functional excellence
- To identify next steps
  - ❖ Identify core business processes and the process owners
  - ❖ Complete RACI work – clarify accountabilities and responsibilities
    - ◆ Opportunities for process improvement may be identified as well



# ECNL Vision





# ECNL Branding



# ECNL's Organizational Structure

# Guiding Principles

1. Line of business mandates are clear and separable
2. Clear, single point accountability exists for line of business results
3. Decision making boundaries are clear and appropriately match authority with accountability
4. Clear, single points of accountability exist for the delivery of support services to the lines of business
5. Functional excellence is optimized through leading edge standardization across all lines of business
6. Support services are embedded in the lines of business where they spend the majority of their time
7. Structure must enable, not impede, collaboration and teamwork between different units and lines of business
8. We share a common core identity as reflected in our vision, our goals, our values, and our brand

# Planned Organizational Changes

Organizational Change	Comments
<b>New position – President and COO, Newfoundland and Labrador Hydro</b>	Assigned executive accountability for ECNL’s core subsidiary and sole regulated entity. In addition to core operations, this position will have operational accountability for significant embedded support services, PUB liaison, and all other aspects of the operation of NLH.
<b>New position - Vice-President, Oil &amp; Gas Developments.</b>	Assigned executive accountability for Oil & Gas Co., and for driving the growth and diversification of ECNL’s oil and gas portfolio.
<b>New position – Vice-President, Strategic Planning.</b>	To support the CEO and the ECNL Leadership Team generally with strategic and corporate planning, new business development, special projects, and the management of shareholder and government department interfaces.
<b>Move the following functional leaders from NLH to ECNL:</b> <ul style="list-style-type: none"> <li>■ Human Resources</li> <li>■ Safety and Health</li> <li>■ Environmental Services</li> <li>■ Information Systems</li> <li>■ Supply Chain</li> </ul>	<p>This will ensure that all key functional areas have an ECNL company-wide focus and will facilitate the standardization of core policies and processes across all lines of business.</p> <p>In order to facilitate single point of contact at the line of business level, it may be necessary in some areas to designate local team leads where they don’t currently exist, where this is justified by the number of embedded employees in a functional area (e.g., HR, IS, Supply Chain)</p>

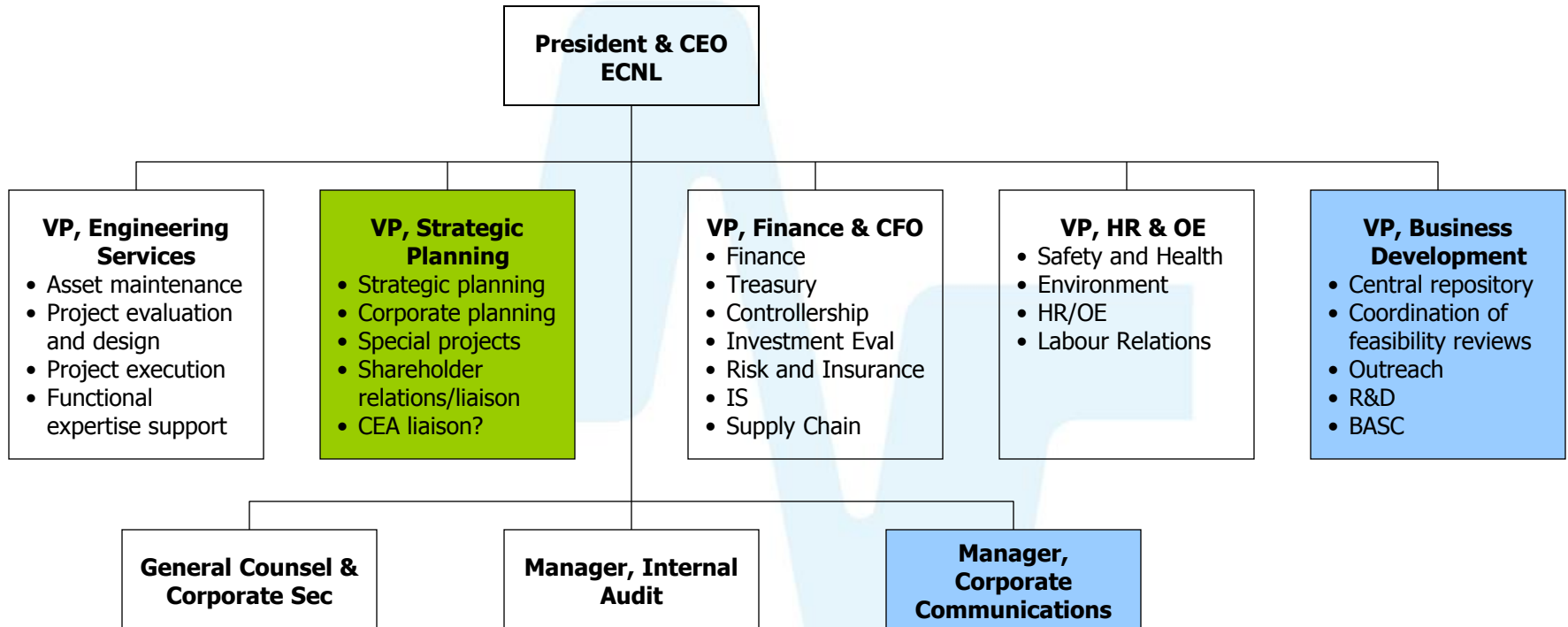
# Planned Organizational Changes

Organizational Change	Comments
<b>Move System Planning to ECNL</b>	This system integration role touches on multiple lines of business, in particular NLH, Lower Churchill and CFLCo, and is therefore better positioned within ECNL.
<b>Within NLH separate operations and maintenance engineering from capital engineering.</b>	Create a small team from existing forces that would be dedicated to supporting NLH assets from an operations and maintenance standpoint.

# Process “White Space” Strategies

Process Strategy	Comments
Documented mandate and vision statement for each line of business	
Documented RACIs for all core business processes (operations and functional)	
A documented Management Authority Matrix for ECNL	
Establishment of ad hoc or standing cross-functional teams where appropriate	

# Straw Model ECNL Structure



Indicates new position

Indicates a modified scope

# Matrix Support Structure

SUPPORT SERVICES	ECNL	LINE OF BUSINESS					Comments
		NLH	CF	LCP	O&G	BASC	
Engineering Services	E/M	Mx6	M	M		M	Move Manager of System Planning into ECNL
Strategic Planning	E/M			M			Corporate Planning + Business Development in ECNL
Finance & Accounting	E/M					M	NC - Manager currently in ECNL
Treasury	E/M						NC - Manager currently in ECNL
Investment Evaluation	E/M						NC - Manager currently in ECNL
Risk and Insurance	E/M						NC - Manager currently in ECNL
HR/OE	E/M						Move Manager HR to ECNL from NLH
Labour Relations	E	M					NC – only NLH and CF are unionized
Safety & Health	E/M						Move Manager HR to ECNL from NLH
Environmental Services	E/M						Move Manager HR to ECNL from NLH
Information Systems	E/M						Move Manager IS to ECNL from NLH.
Supply Chain	E/M						Move Manager SC to ECNL from NLH
Internal Audit	E/M						NC – Manager and staff currently in ECNL
Legal	E/M	M					NC – General Counsel currently in ECNL
Corporate Communications	E/M						NC – Manager currently in ECNL

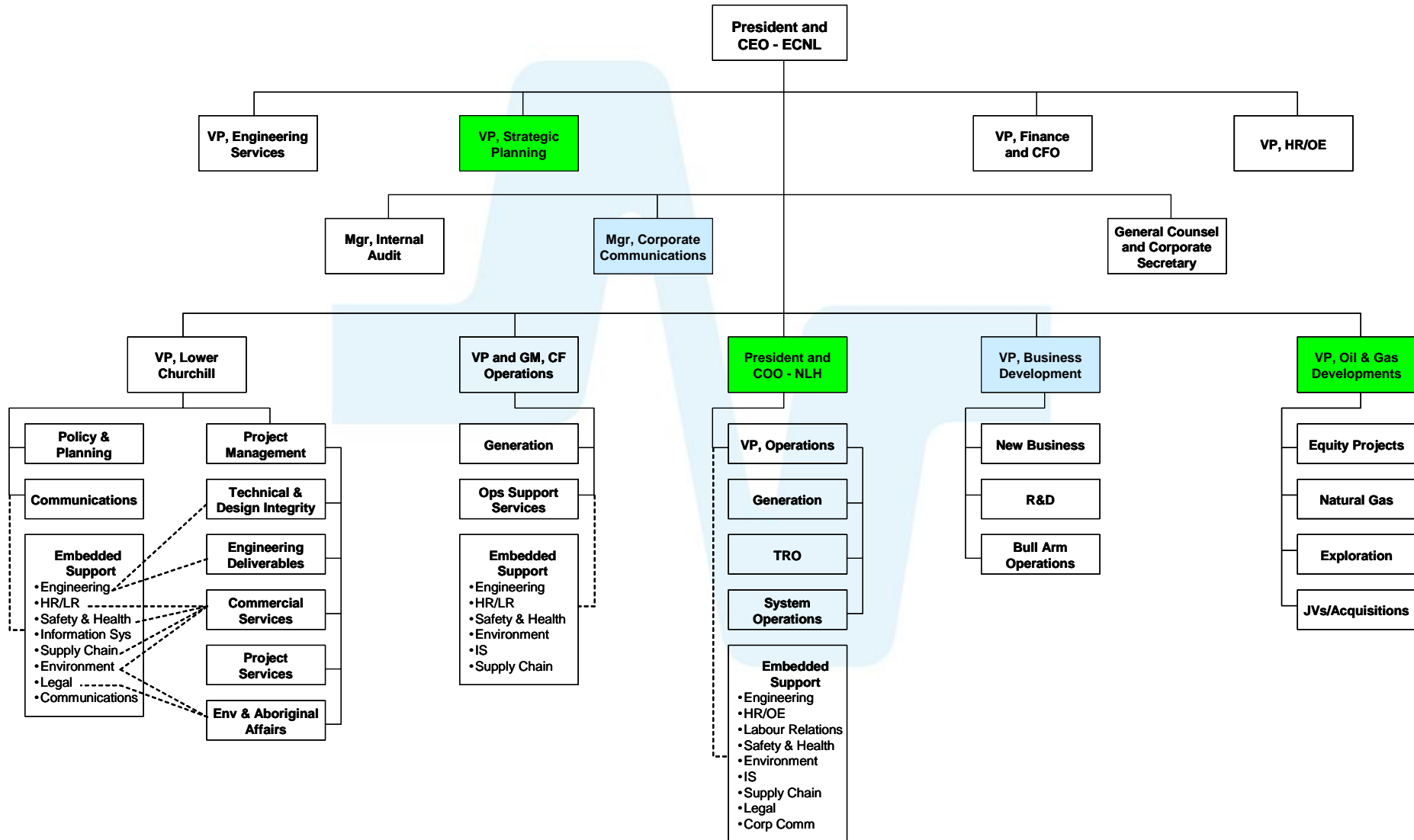
**E = Accountable VP's Home Company**

**M = Manager's home company**

**■ Indicates embedded support services**



# Straw Model Group Structure



# Some Other Thoughts

- EA support for executives needs to be reviewed
- We may need to create or designate some functional team leads in the embedded groups
- May soon be looking at an incorporated entity for LCP
- Need corporate branding in place to reinforce the corporate structure and employer identities
- Need to address Ts&Cs and Ps&Ps for ECNL and new subsidiaries – work started
- Our structure can evolve and change as the non-regulated entities grow

# Next Steps

- Finalize planned organizational changes + a transition plan with timetable
- Engage LT
- Obtain approval of ECNL Board
- Communicate with affected employees as appropriate
- Develop and execute communication plan for employees and shareholder



# Functional Excellence in a Matrix Organizational Structure

A Plan for Facilitating the Implementation of Organizational  
Changes in Corporate Support Services Areas In Support of  
Multiple Lines of Business

Boundless Energy

Nalcor Leadership Team – March 2, 2009



# Purpose

- To outline HR/OE's plan for facilitating organizational alignment in relation to the implementation of organizational changes in corporate support services areas to support our multiple lines of business in a matrix environment
- To obtain feedback and suggestions from the LT

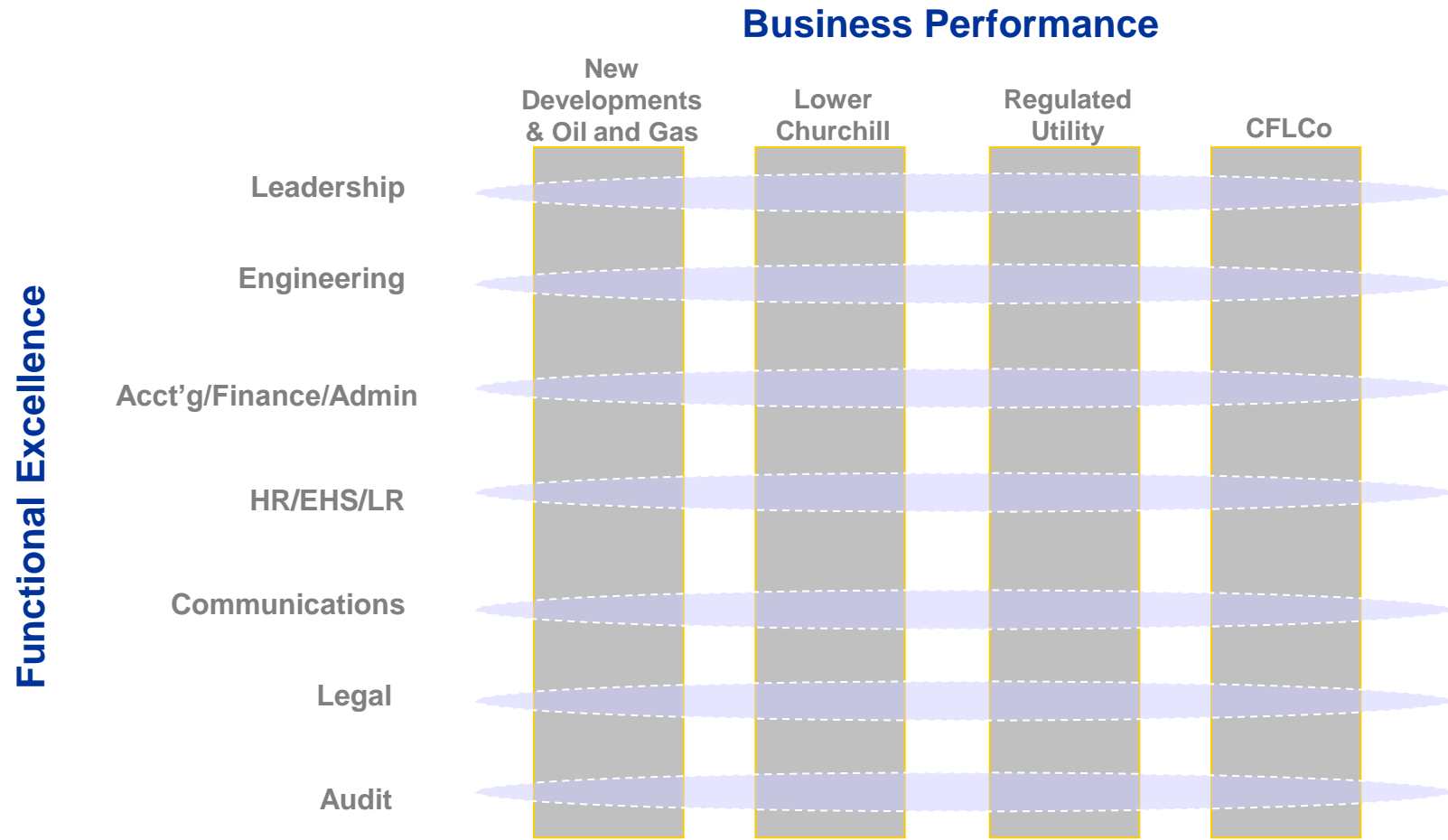
*A couple of Ed's slides  
from 2005 ...*

# Organization Design Guiding Principles (2005)

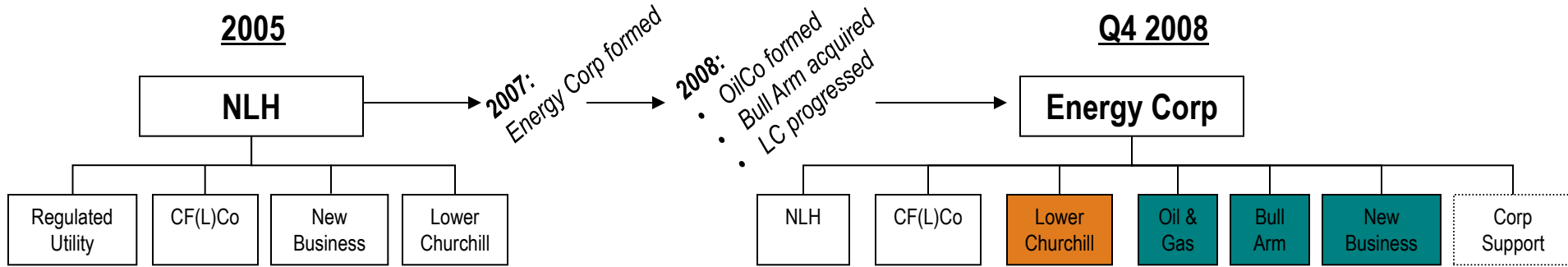
- Clear focus on NL Hydro's "Key Focus Areas"/businesses
- Clear accountability for business performance
- Maintain functional excellence across the organization
- Departmental "silo mentality" is unacceptable – we must work well across the organization to build a competitive edge
- Structure should be easy to understand and explain



# Functional Excellence Across the Business Units is Critical to Success (2005)



# Evolution of Our Business and Goal Structure

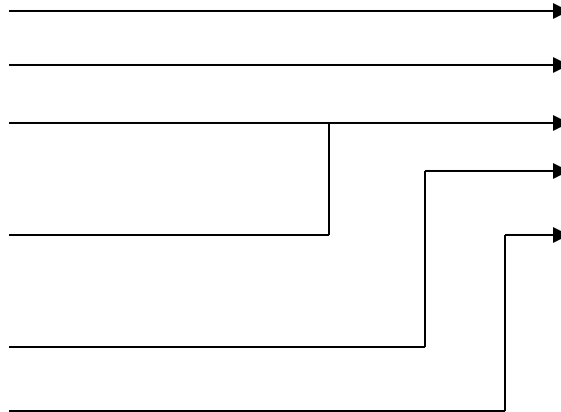


## 2005 Goal Structure

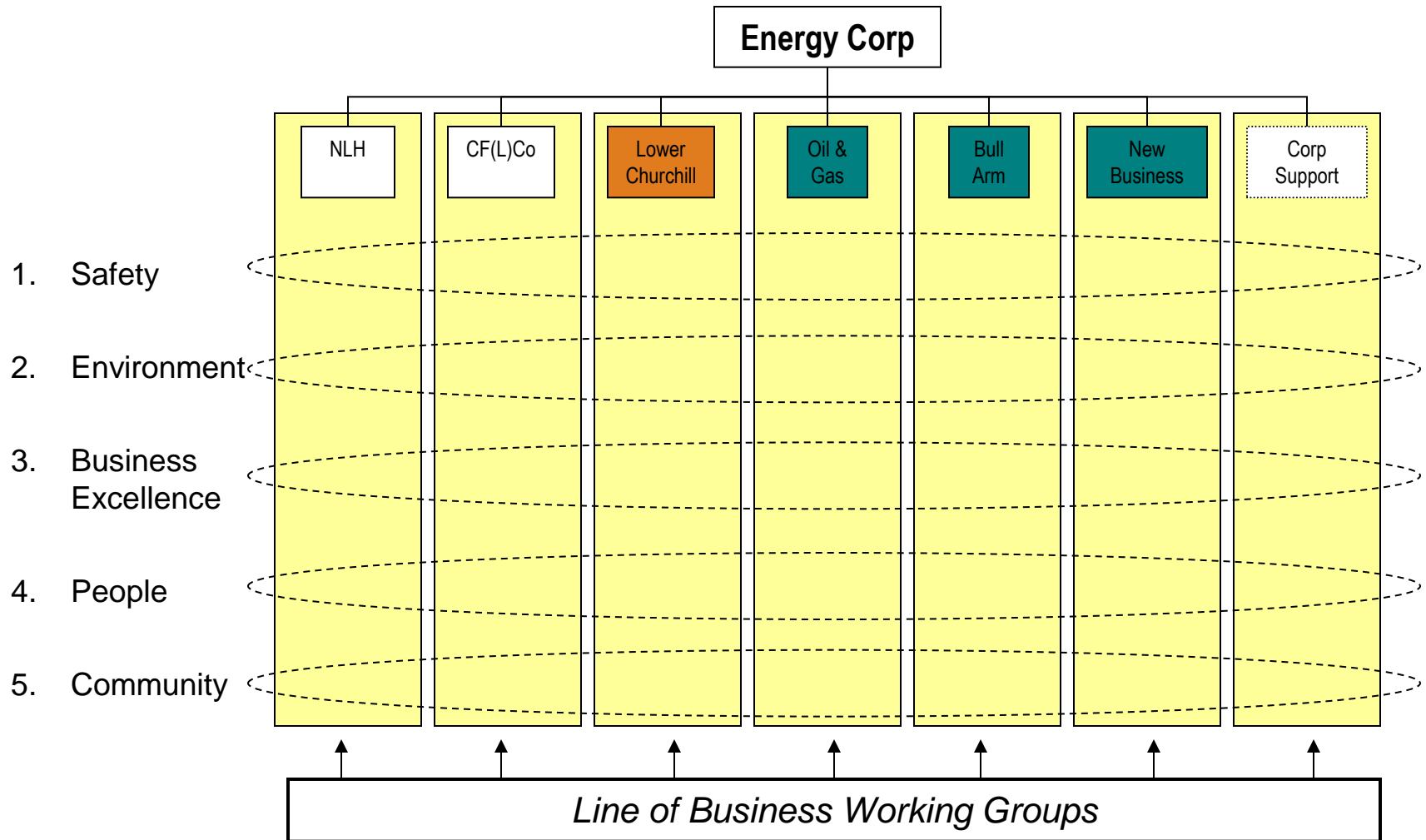
1. Safety
2. Environment
3. Finance & Governance
4. **Growth**
5. Operational Excellence
6. **Lower Churchill**
7. People
8. Community

## 2009 Goal Structure

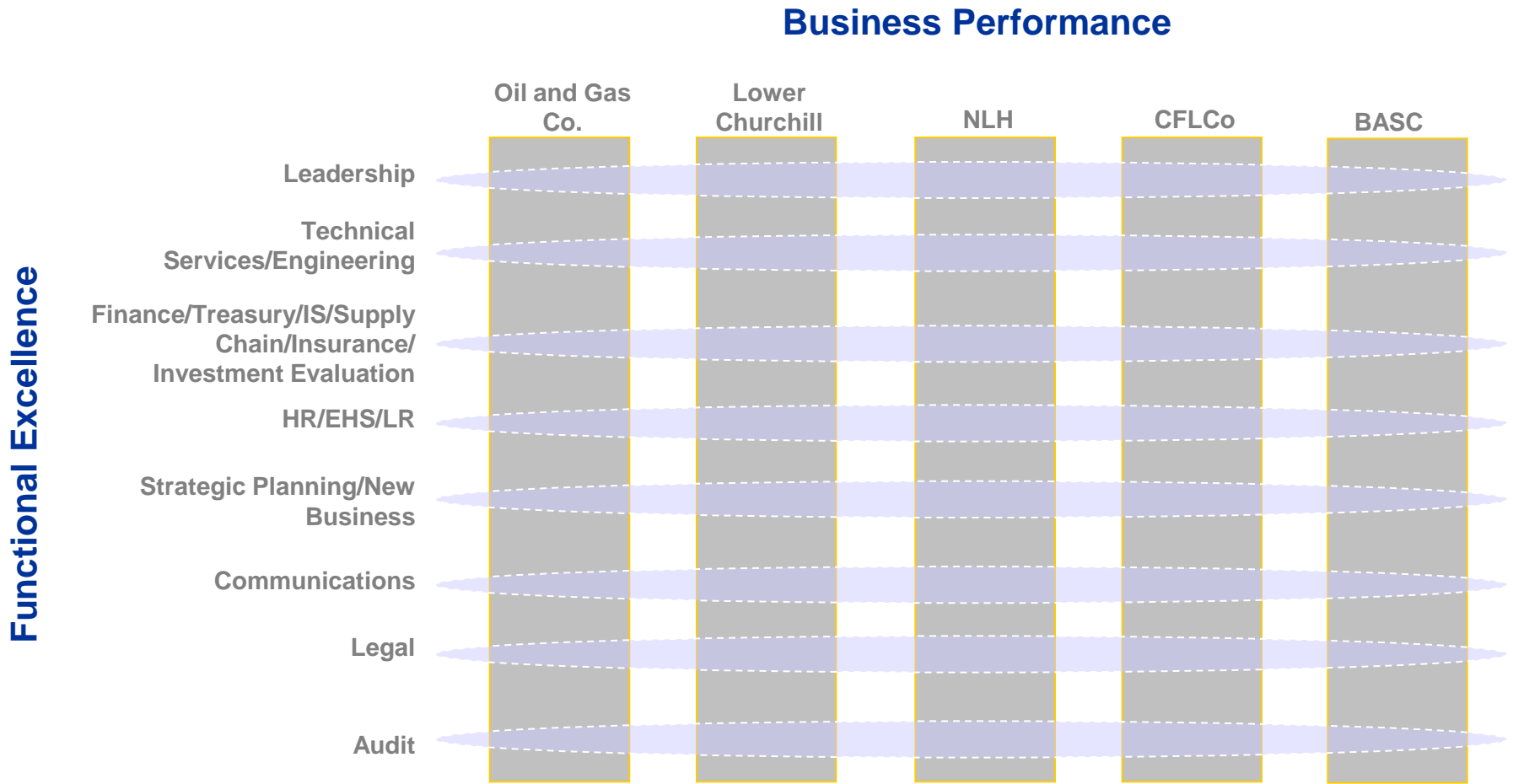
1. Safety
2. Environment
3. Business Excellence
4. People
5. Community



# 2009 Corporate Planning Process



# Functional Excellence Across the Business Units is Critical to Success (2009)



# Other Drivers for Reviewing Organizational Structure

- Ensuring we both maintain and strengthen the core electricity business as Nalcor grows and diversifies
- Corporate vision and shareholder expectations
- Accountability and governance requirements
- Transparency of regulated vs. non-regulated operations
- Employer separation from an employment and labour relations perspective

# Organization Design Guiding Principles

1. We share a common core identity as reflected in our vision, our goals, our values, and our brand
2. Line of business mandates are clear and separable
3. Clear, single point accountability exists for each line of business
4. Decision making boundaries are clear and appropriately match authority with accountability
5. Clear, single points of accountability exist for the delivery of support services to the lines of business
6. Functional excellence is optimized through leading edge standardization across all lines of business where it makes sense – embedded personnel have a solid line accountability to the corporate functional leaders
7. Support services are embedded in the lines of business where they spend the majority of their time
8. Structure must enable, not impede, collaboration and teamwork between different units and lines of business

# Matrix Organizational Structures

- **What is a matrix organization?**

- A two dimensional, grid like organizational structure comprised of multiple business dimensions – a common variation is product (business line) by function
  - **Functional Matrix** -- *employees remain full members of functional departments*
  - **Balanced Matrix** – *employees are members of both functional and operating units*
  - **Project Matrix** – *employees move between projects and departments as needed*

- **The Balanced Matrix**

- Strives for equalized power between the two organizational dimensions
- Business leads define what needs to be accomplished and when
- Functional managers define staffing and how tasks will be accomplished
  - i.e., policies, standards, processes – the “corporate” perspective

# Matrix Organizational Structures

- **Benefits of a Matrix Structure**

- Provides functional economies of scale while remaining small and task focused
- Focuses employees on multiple business goals
- Helps to breed functional excellence, the sharing of best practices, and facilitates innovative solutions to complex problems
- Enriches functional roles and improves employees' company-wide focus through increased responsibility and decision making
- Allows for quick and easy transfer of resources
- Improves lateral communication, and enhances personal communication skills



# Matrix Organizational Structures

- **Key Success Factors**

- The right people with the right skills
- Expectations and responsibilities are well defined, up front
- Goal alignment between functional departments and business lines
- Open, trusting and respectful relationships; informal peer networks
- A matrix guardian
- 
- 

- **Managing the “White Space”**

**People, Processes, and Relationships**  
*How Work Actually Gets Done*

# Accountability in a Matrix Structure

- Many people have two or more accountability relationships
  - To the extent we use pictures (charts) to document organizational structure, we need to be able to depict how certain roles inter-relate and who is accountable to whom
- Solid and dotted lines are a mechanism for doing this
  - Most useful if we view the lines as distinguishing between functional accountabilities vs. line accountabilities, as opposed to one relationship being superior to the other
  - We could use different colored lines for the same purpose
  - Clarity regarding accountability and decision making authority doesn't come from charts – it comes from a collective understanding of who is accountable for what, based on well understood practice, documented process responsibilities, etc.

# Transition Management Elements

<b>Clear and Timely Communication</b>	<ul style="list-style-type: none"> <li>• All target audiences -- full organization; Managers/VP reports; support services personnel in the field</li> </ul>
<b>Matrix Training and Awareness Building</b>	<ul style="list-style-type: none"> <li>• Target group - functional personnel; business unit leaders; LOB leaders</li> <li>• Familiarization with matrix structures, principles and definitions</li> <li>• Forum for exchanging information and perspectives between functional and business unit leaders</li> <li>• Review of transition management plan and RACI process, etc.</li> </ul>
<b>Clear Role Expectations</b>	<ul style="list-style-type: none"> <li>• Functional (corporate) vs. operating (line of business) accountabilities</li> <li>• RACIs to document core business processes</li> <li>• Authority Level Matrices to document authority levels for key decisions</li> <li>• Revise/update role descriptions as required</li> </ul>
<b>Focus on Priority Processes and Interfaces</b>	<ul style="list-style-type: none"> <li>• Phase I focus on core business processes and key corporate-LOB interfaces</li> </ul>
<b>Matrix Stewardship</b>	<ul style="list-style-type: none"> <li>• VP HR/OE designated as executive sponsor</li> <li>• Quarterly checkpoints with the Nalcor LT</li> <li>• Coaching, mentoring, redeployment, etc. as required</li> <li>• Leverage external expertise as required</li> </ul>
<b>Organizational Engagement</b>	<ul style="list-style-type: none"> <li>• Cross-representational transition management team</li> <li>• Full engagement of line of business/operations leaders</li> </ul>

# 2009 Transition Management Plan

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Accountable
Finalize changes in HR/OE & Finance												CEO
Communication with Managers/Supers												HR/OE
Communication in the field												Managers
Create Nalcor BUs and LOB work orders												HR/OE/Finance
Move managers to Nalcor as needed												HR/OE
Finalize org model for Engineering												CEO & VP/ES
Identify core business processes, confirm initial focus												HR/OE with functional Mgrs
Matrix/RACI workshop for LOB leaders, BU Managers, functional personnel												HR/OE
LT Checkpoint												VP, HR/OE
Document and validate RACIs for core processes and interfaces												Functional Mgrs + LOB Leaders
Develop and validate Authority Level Matrices for each LOB												Functional Mgrs + LOB Leaders
Review and update role descriptions as required												Functional Mgrs + LOB Leaders
LT Checkpoint												VP, HR/OE
Publish RACIs + change mgt process												HR/OE
LT Checkpoint												VP, HR/OE

# Transition Management Team

- A cross-representational team to steward this process in consultation with LOB leaders and functional leaders
  - HR/OE
    - Gerard McDonald                      VP, HR/OE (Team Lead)
    - Liam McerLean                      HR Specialist, OE
    - Catherine Squire                      Strategic Planning and New Business
    - Dawn Dalley                      Corporate Communications
  - Line of Business Single Points of Contact (SPOC) \*
    - Margo Noseworthy                      HR Lead, NLH
    - Debbie Molloy                      HR Lead, LCP
    - Catherine Rowsell                      HR Lead, CFLCo
    - Mike Roberts                      HR Single Point Accountable – BASC, Oil & Gas
  - Managers (2 functional, 2 operations)

\* **Note:** LOB contacts may coordinate internal LOB teams as appropriate.

A proud, diverse energy company, whose people are committed to building a bright future for Newfoundland and Labrador, unified by our core values.

Sharing our ideas in an open and supportive manner to achieve excellence.

## Teamwork

### Honesty and Trust

Being sincere in everything we say and do.

### Open Communication

Fostering an environment where information moves freely in a timely manner.

## Safety

Relentless commitment to protecting ourselves, our colleagues and our community.

## Respect and Dignity

Appreciating the individuality of others by our words and actions.

## Leadership

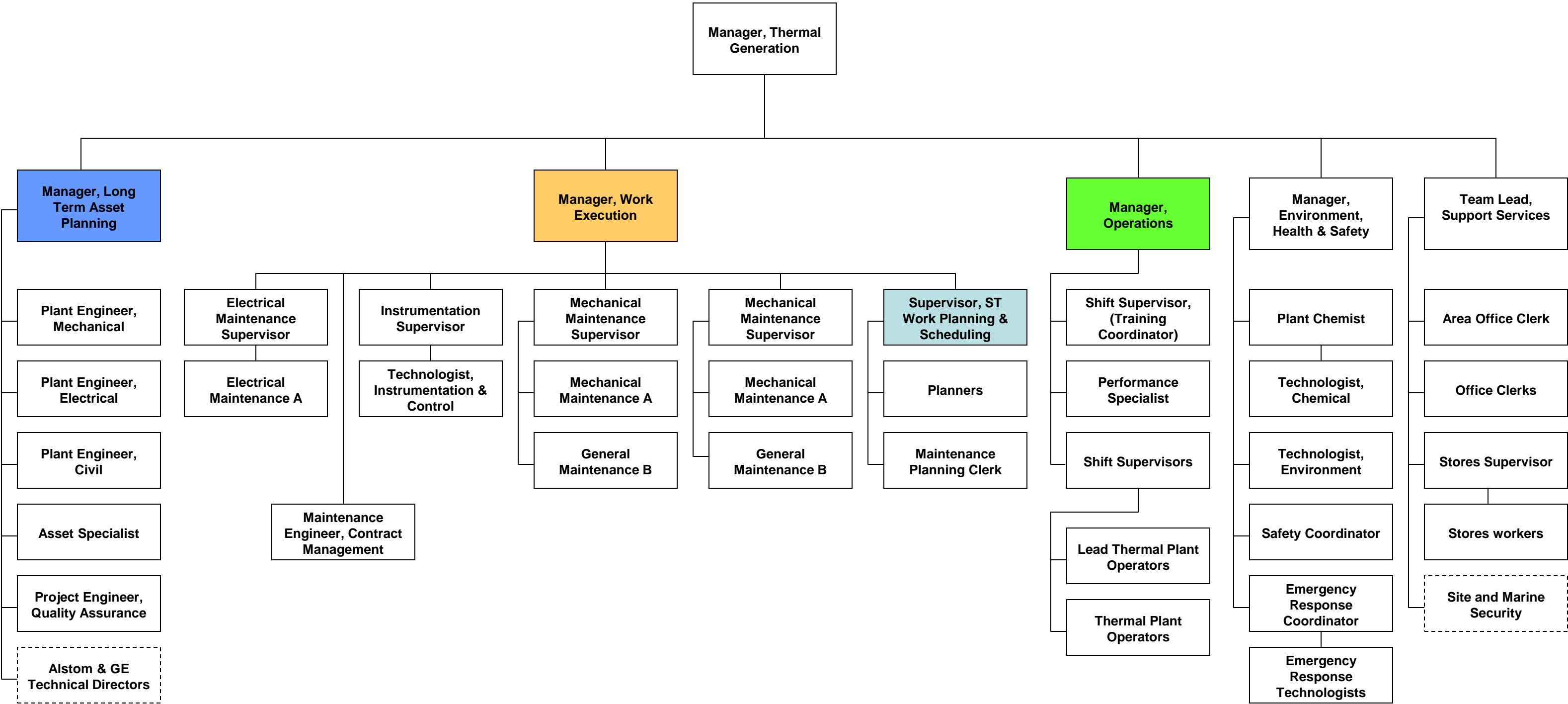
Empowering individuals to help, guide and inspire others

## Accountability

Holding ourselves responsible for our actions and performance.

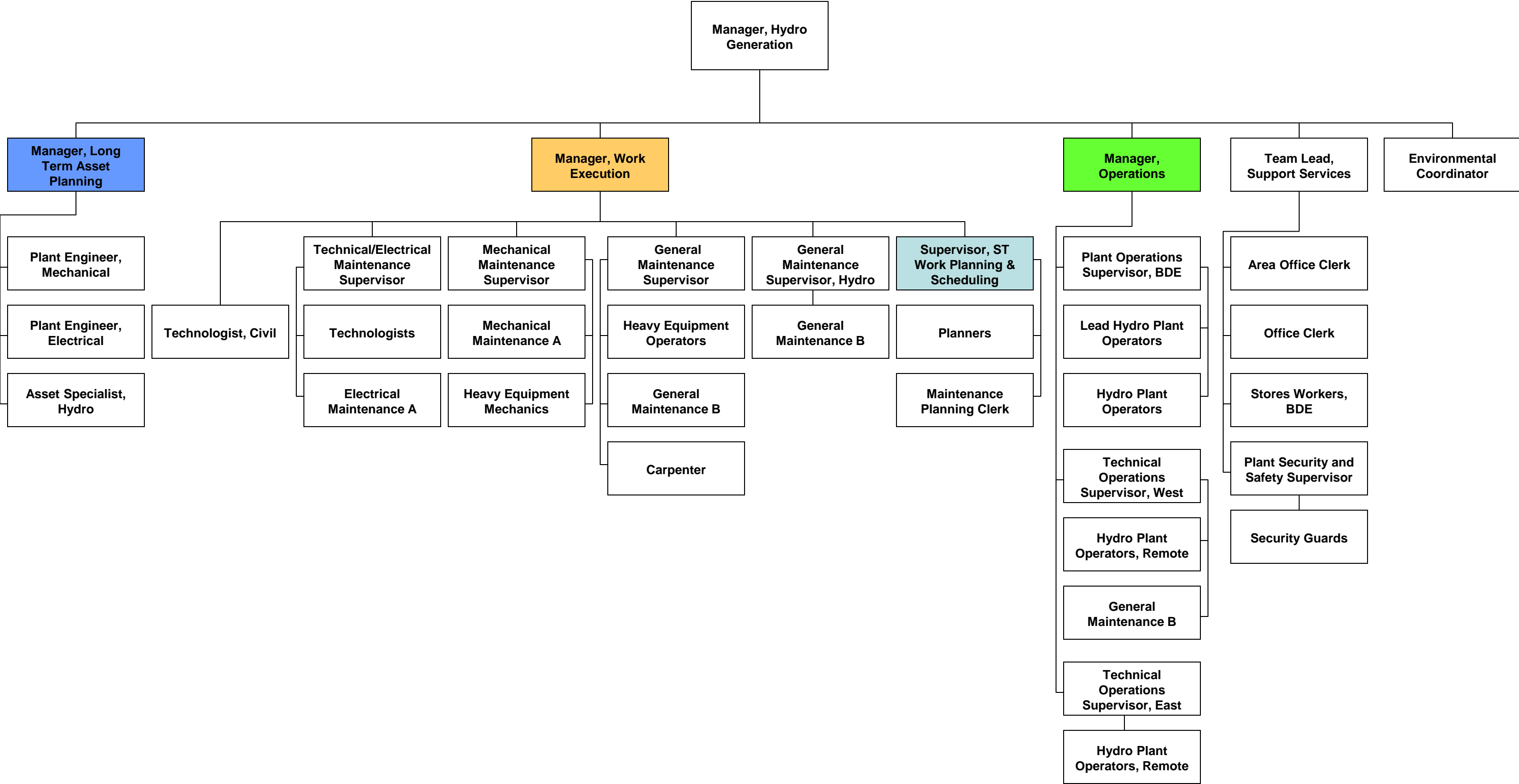
# Comments/Discussion Points

Asset Management Organization Design  
Thermal Operations - NLH

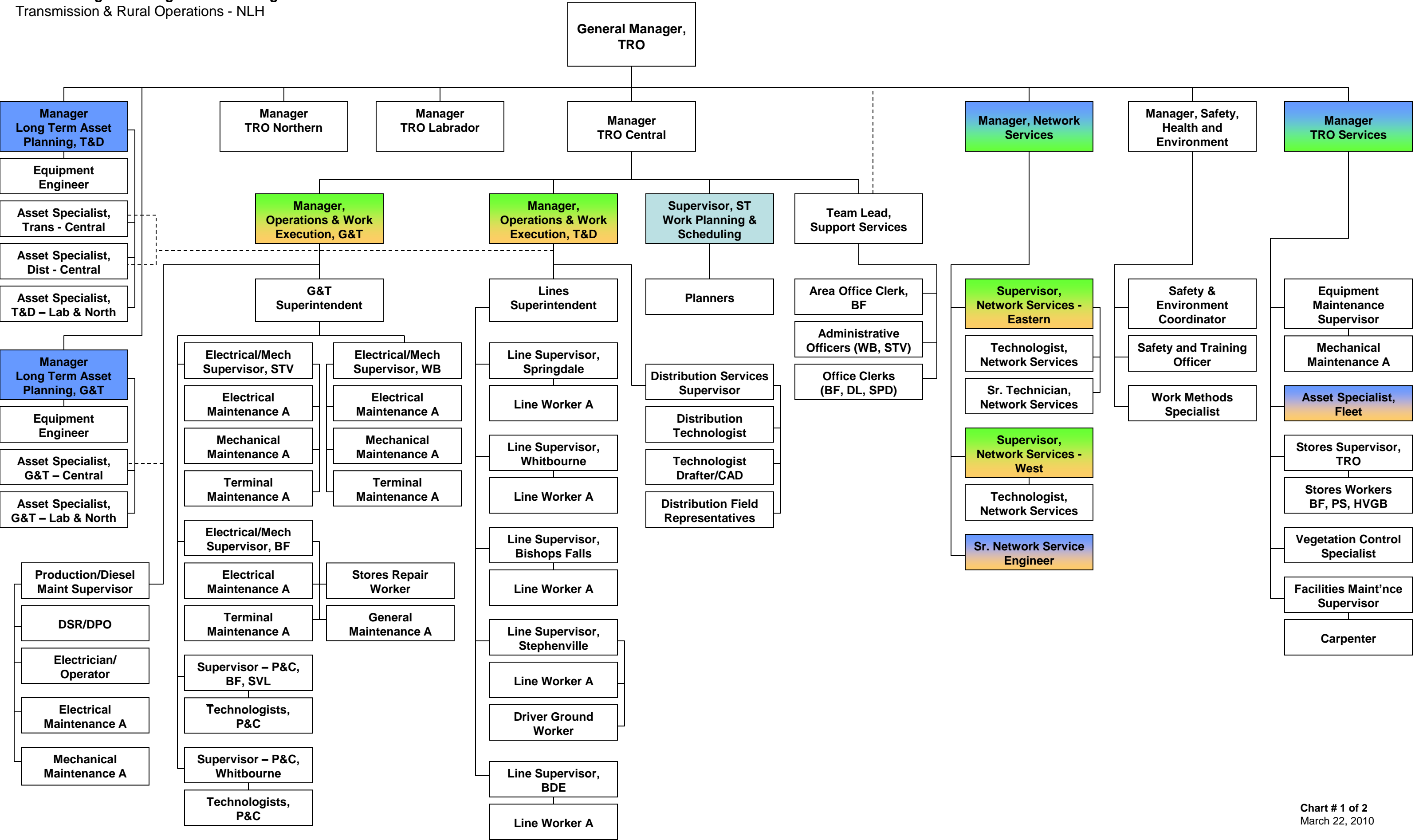




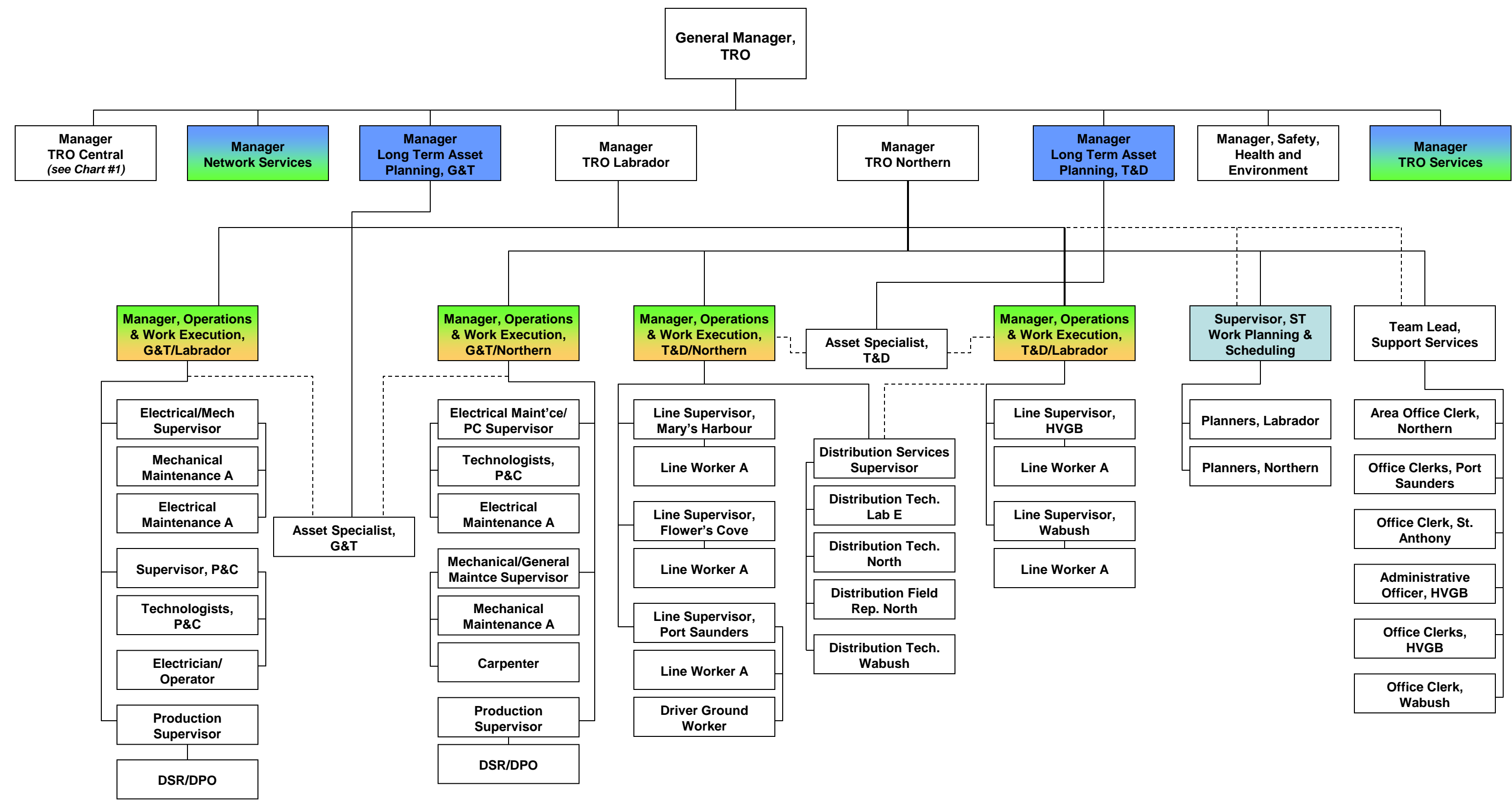
Asset Management Organization Design  
Hydro Operations - NLH



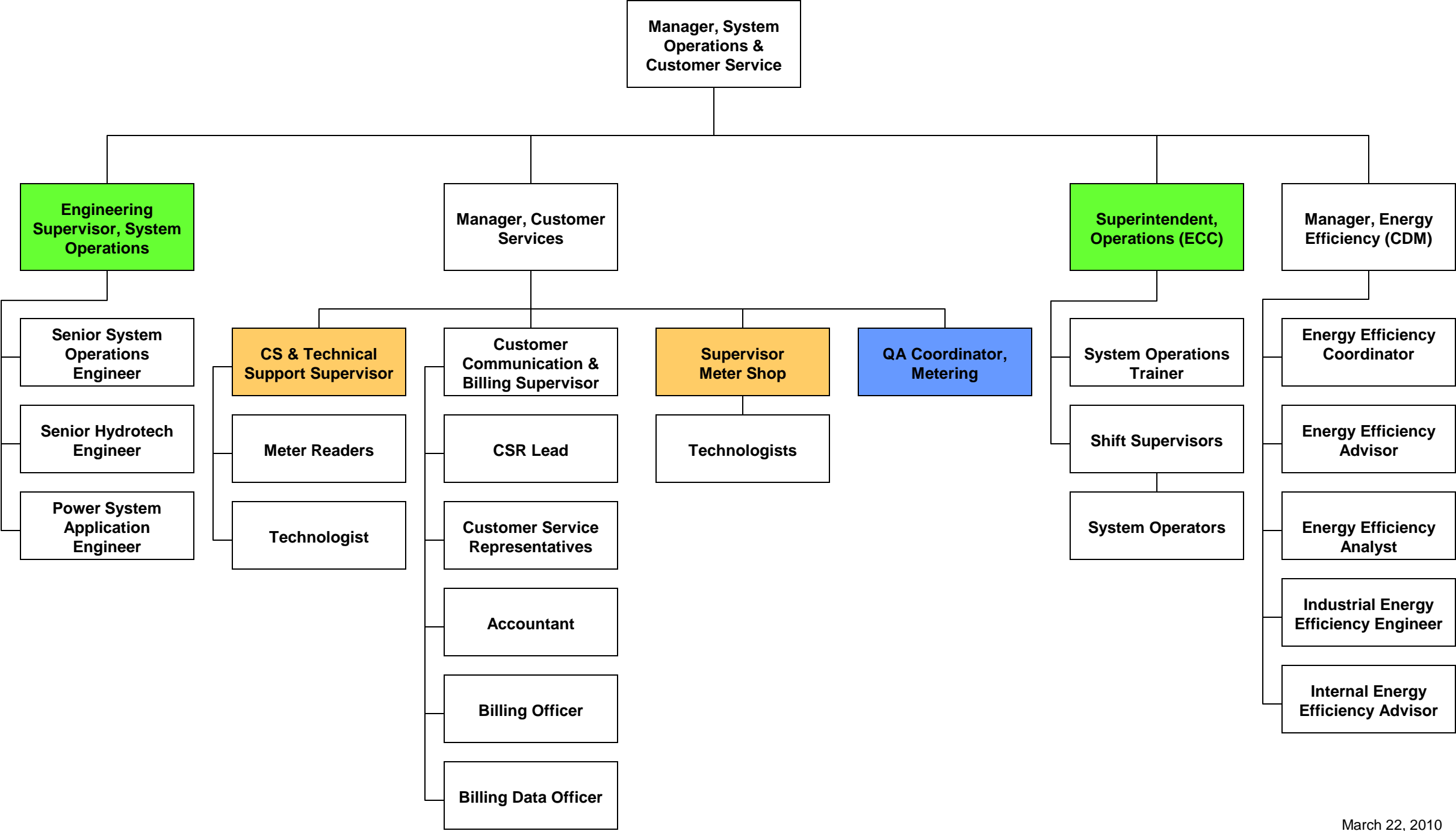
Asset Management Organization Design  
Transmission & Rural Operations - NLH



Asset Management Organization Design  
Transmission & Rural Operations - NLH



Asset Management Organization Design  
System Operations & Customer Service - NLH



March 22, 2010

# Engineering Services/Project Execution

