

1 Q. **Staffing**

2 Provide a copy of the June 18, 2014 Presentation on Governance.

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5 A. PUB-NLH-424 Attachment 1 presents a copy of the presentation made to the Board
6 and Liberty Consulting on June 18, 2014, entitled "Governance at NL Hydro".

Governance at NL Hydro

A Presentation to the Board of Commissioners of Public Utilities

June 18, 2014

Boundless Energy



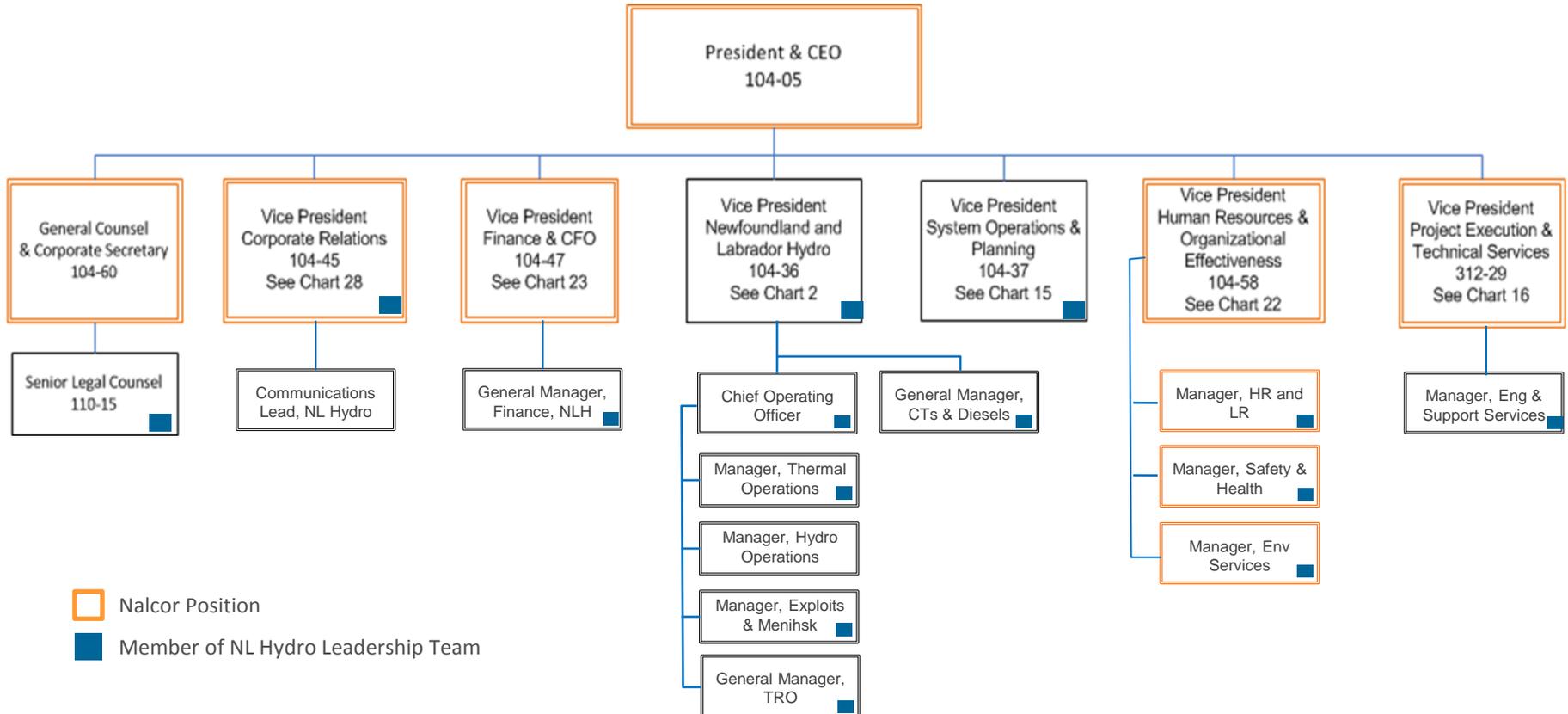
Attending Today From NL Hydro

- Ed Martin: President and CEO
- Rob Henderson: Vice-President, Newfoundland & Labrador Hydro
- Scott Crosbie: Chief Operating Officer, NL Hydro
- Paul Humphries: Vice-President, System Operations and Planning
- John MacIsaac: Vice-President, Project Execution and Technical Services
- Dawn Dalley: Vice-President, Corporate Relations
- Gerard McDonald: Vice-President, Human Resources and Organizational Effectiveness
- Geoff Young: Senior Legal Counsel
- David MacDougall: External advisor and legal counsel, McInnes Cooper
- Jennifer Gray: External advisor and project management support, McInnes Cooper

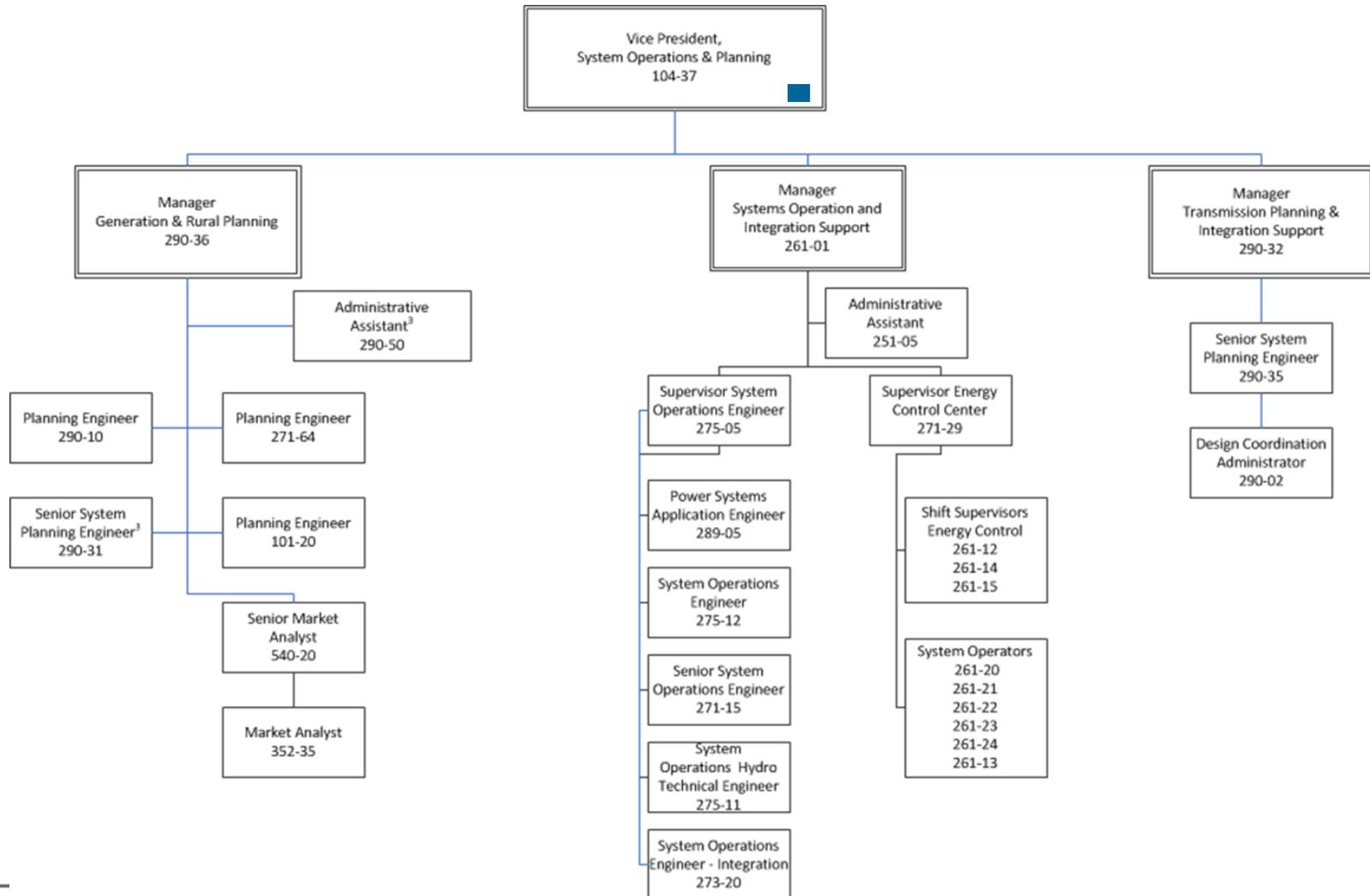
Discussion Outline

- Hydro's Organizational Structure
- Corporate Governance and Decision Making
- Summary and Comments

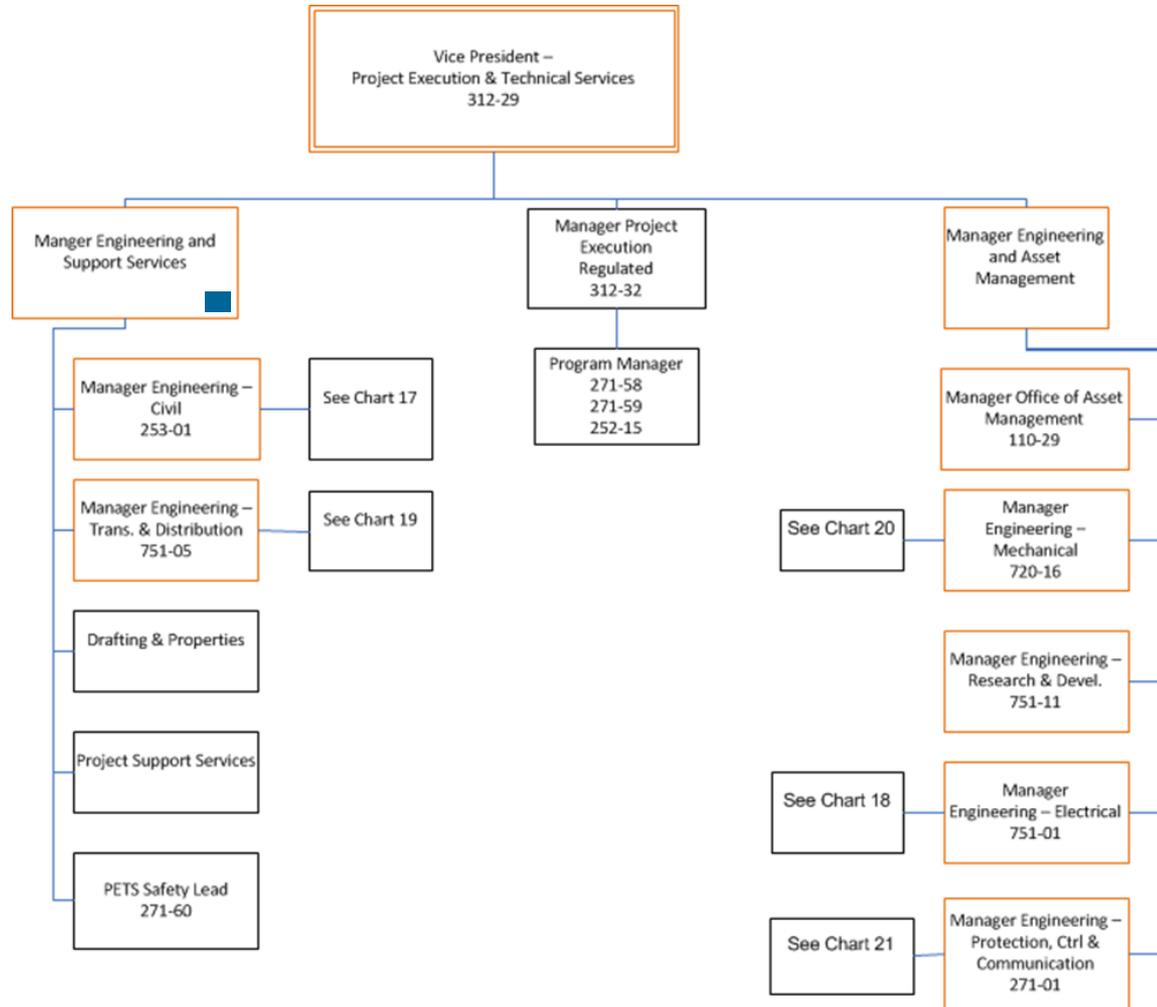
Top Level Structure – NL Hydro



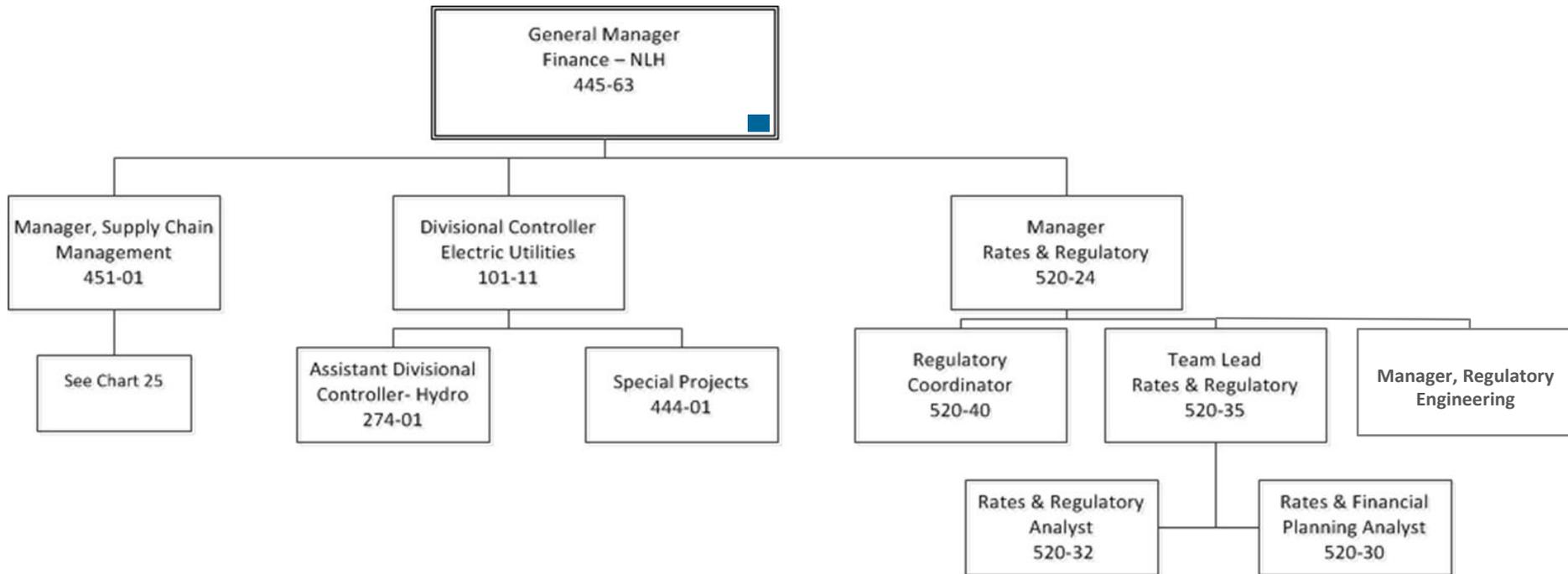
System Operations and Planning



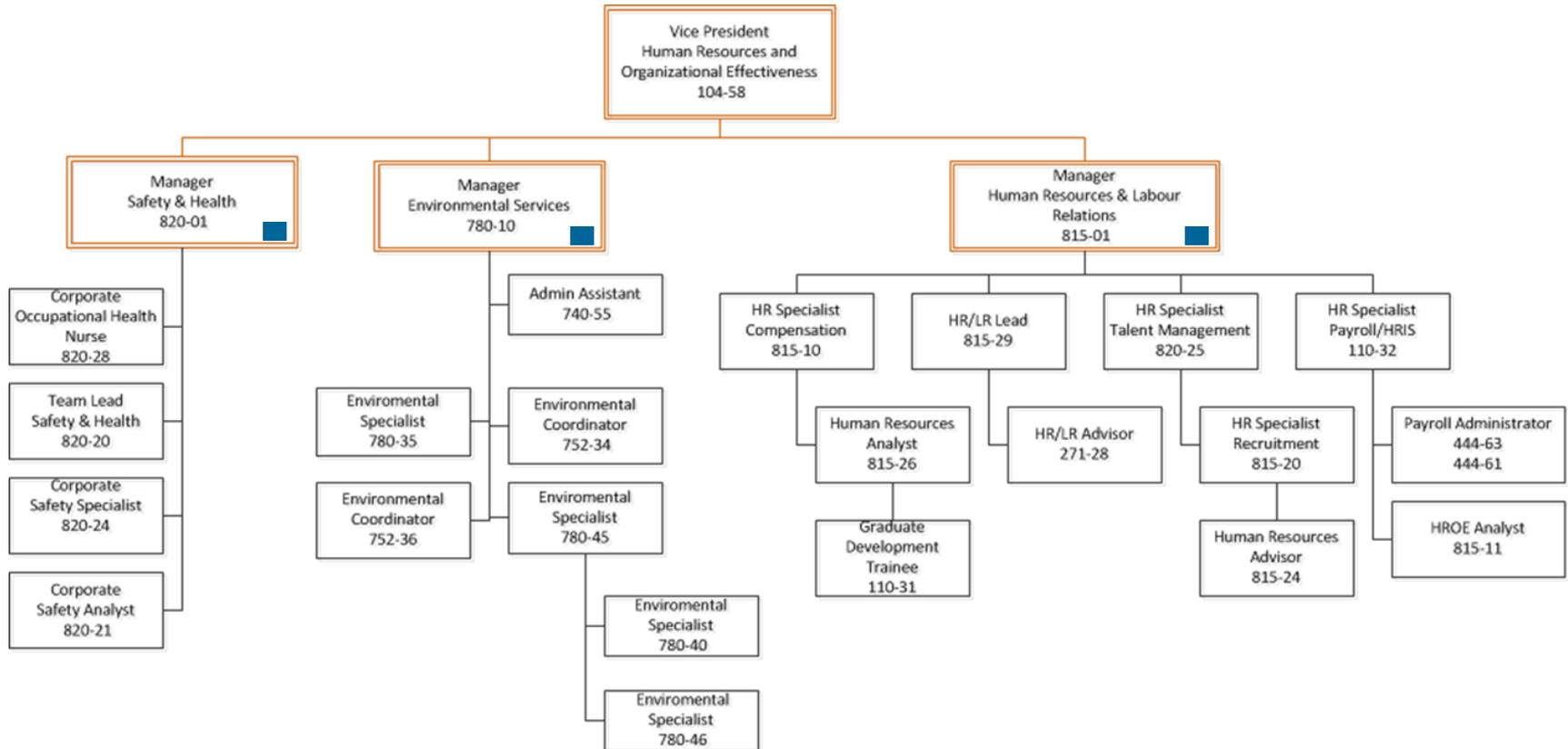
Project Execution & Technical Services



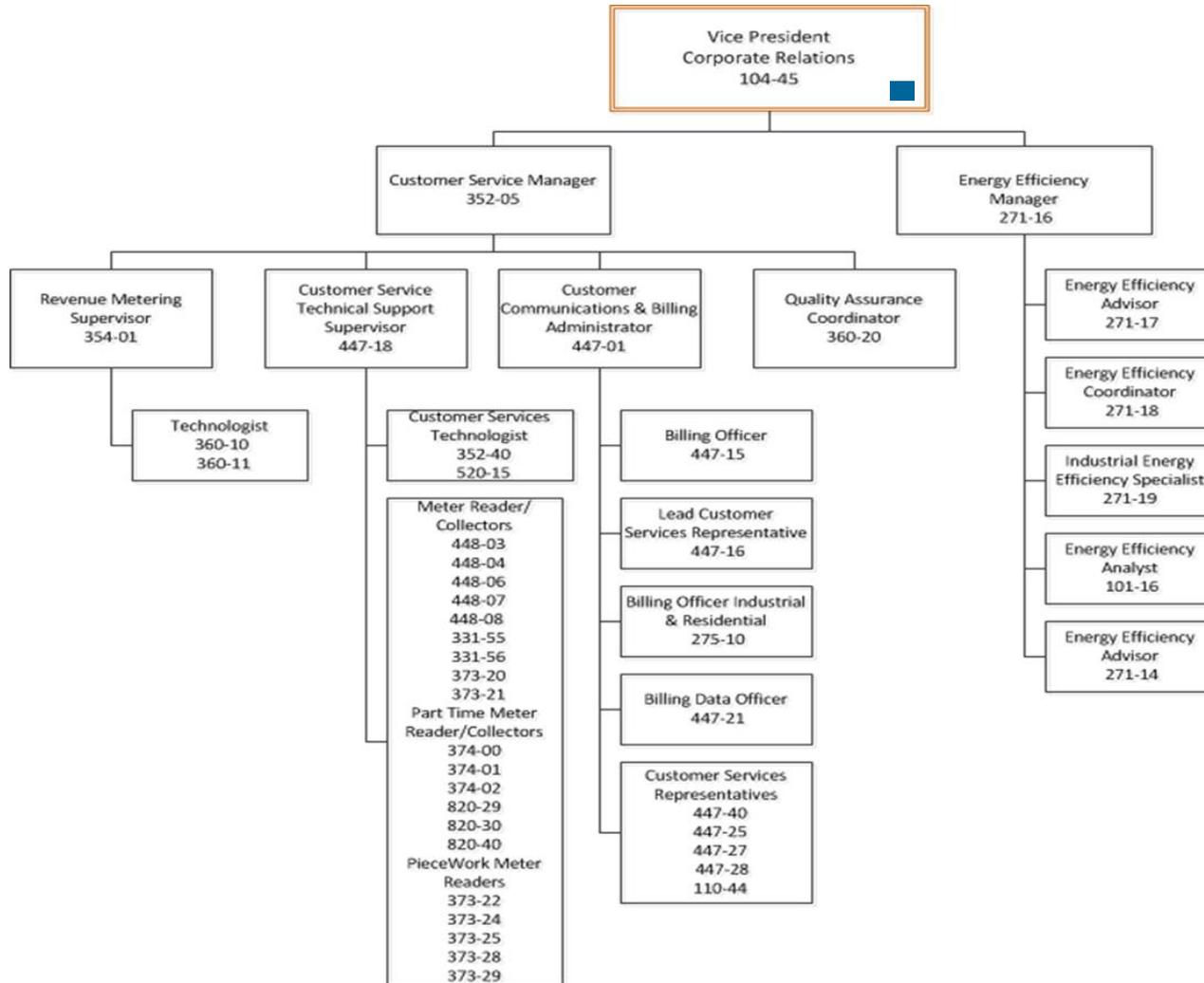
Finance – NL Hydro



HR & Organizational Effectiveness



Corporate Relations



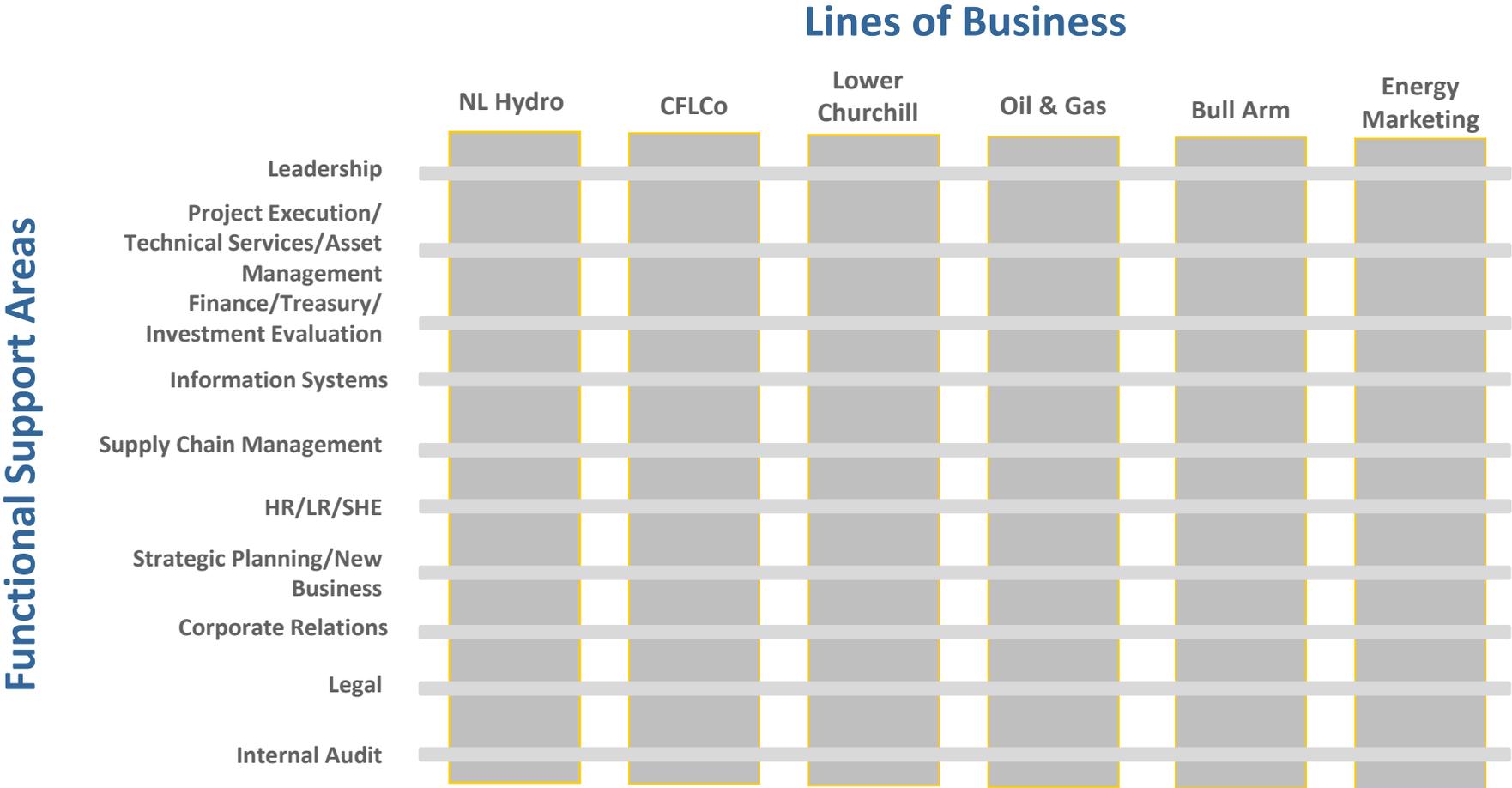
NL Hydro's Structure - Summary

- Clear, single point accountabilities for generation and transmission operations and asset management, and system operations and planning
 - Vice-President, Newfoundland and Labrador Hydro
 - Chief Operating Officer – All generation and transmission excluding CTs and diesels
 - General Manager, CTs and Diesels – All aspects of asset management related to CTs/Diesels
 - Vice-President, System Operations and Planning
- NL Hydro Leadership Team comprised of the appropriate senior leaders in all operations and functional areas
- Dedicated Leads to support NLH in all corporate support areas
 - Finance (Rates & Regulatory, Controller, Supply Chain); Legal; Communications; Safety & Health; Environmental Services; Project Execution & Technical Services

Organization Adjustments Since 2009

- General Manager, TRO
- Manager of Project Execution (Regulated)
- Various Lead positions established to provide dedicated functional support to NL Hydro
- Vice-President, System Operations and Planning
- General Manager, Finance
 - Rates & Regulatory; Controllership; Supply Chain
- General Manager, Combustion Turbines and Diesels
- Chief Operating Officer

Nalcor's Matrix Organization (2009)



Organization Design Guiding Principles

Matrix Organization – 2008/09

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

High Level Governance

- **Governing Legislation**
 - Hydro Corporation Act
 - Electrical Power Control Act
 - Public Utilities Act
 - Transparency and Accountability Act
- **Board of Directors**
 - Regular meeting schedule
 - Board has adopted many governance processes consistent with best practice
 - Assistant Corporate Secretary attends all meetings
- **NL Hydro Leadership Team**
 - Regular monthly meetings to review performance and discuss issues
 - Attended by VP direct reports and senior operations and functional leaders
- **Code of Business Conduct and Ethics**
 - Standards of Business Conduct
 - Conflict of Interest

Governance - Board of Directors

- Board and Committee mandates are regularly reviewed and updated as needed to reflect best practices or other appropriate changes
- Position descriptions for the Chair and Directors approved by the Board
- Board mandate and management role descriptions are documented
- Chair and CEO roles are separate
- Board policies in place to ensure the independence of Directors
- Regularly scheduled meetings and standing agenda items
- Processes in place to enable Board exposure to different areas of the Company's operations and a broad cross-section of senior leaders
- In camera session at the end of all Board and Committee meetings

Decision Making Governance

- The Company’s Vision, Values and Goals
- Board and Committee mandates and fiduciary responsibilities
- Corporate policies (*including the Code of Business Conduct and Ethics*)
- Work Protection Code + standard operating work methods and procedures
- R.A.C.I. matrices for most core functional processes
- Five year and one year corporate, business unit and functional plans
- Internal Audit reviews and surveillance
- Internal audits of management system compliance (e.g., environment, safety)
- External financial audits
- Proactive identification and management of corporate risks, both internal and external (Enterprise Risk Management group)
- Ongoing performance management and annual performance reviews
- Organization design stresses and ensures clarity of accountability at all levels
- Financial Authority Matrix for approval levels
- Public Tendering Act
- Annual Accountability and Transparency reports
- PUB audits and regular PUB reporting

Summary – Key Points

- Clear, executive level accountability for NL Hydro operations
 - *The Vice-President is expected to exercise significant autonomy in ensuring NLH's activities are carried out to a high standard and in a manner that supports and enables its long-term success. (extract from role description for VP, NLH)*
- Changes in Hydro's organizational structure have been managed in a considered and thoughtful way
- Progressive organizational adjustments have provided additional senior level support to Hydro
- The company's shared services strategy has enabled an efficient and cost-effective use of resources
- Strong focus on improving corporate/Board governance
- Many policies and processes ensure good governance, effective management of risks, and decision making

Other Comments

- Consistent CEO messages inside Hydro
 - “Our top two priorities -- Safety and Asset Management”
 - “Take care of the core business”
 - “VP has clear accountability for line of business performance”
- Hydro’s reliability performance has historically compared favorably, and in some cases ahead of, CEA benchmarks
- Hydro has improved its business performance in other areas as well
- Organizational structure and governance have not been identified as factors contributing to the outages in 2013 or 2014
- Hydro is committed to a continuous review of its operations to ensure efficient and reliable operations
- In addition to this constant focus on our current system, the Muskrat Falls project will contribute significantly to reliable operations

Areas of Focus

- Planning and resourcing in support of asset management and maintenance
 - Identify any trades resource gaps (e.g., protection and control)
 - Identify any gaps/variations by location/region and any opportunities for workforce re-balancing
 - Identify and address gaps in our planning and scheduling processes for work execution
- Winter readiness and availability
- Readiness for Operations planning related to the integration of Muskrat Falls

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

Teamwork

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

Open Communication

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

Honesty and Trust

Being sincere in everything we say and do.

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.