

1 Q. **Corporate and Governance Structures**

2 References:

- 3 (i) NLH 2017 GRA, Evidence, chapter 1, page 1.13
- 4 (i) « Key aspects of the new organizational structure include:
- 5 • a dedicated and separate executive team that report directly to, and are
- 6 accountable to, the President of Hydro;
- 7 • a Production division, encompassing Hydro Generation, the Holyrood Thermal
- 8 Generating Station, Hydro's fleet of gas turbines and diesels, and Exploits
- 9 Generation, as well as Resource and Production Planning;
- 10 • a Transmission and Distribution division that will include the Newfoundland and
- 11 Labrador System Operator (NLSO), Transmission Planning, Rural Planning, and
- 12 Transmission and Rural Operations;
- 13 • An Engineering Services division focused on Hydro's engineering activities,
- 14 project execution, asset management, and operational and information
- 15 technology;
- 16 • a Corporate Services and Regulatory Affairs division which includes Customer
- 17 Service, Energy Efficiency, as well as Human Resources, Safety and Health,
- 18 Environmental Services, Communications and Regulatory Affairs;
- 19 • a Corporate Secretary and General Counsel division responsible for providing
- 20 legal advice to Hydro and corporate secretarial services; and
- 21 • a Financial Services division, which includes Controller, Treasury, Risk and
- 22 Controls, Commercial Management , Internal Audit, and Supply Chain
- 23 administration.»
- 24

25 Please explain how the transmission and distribution functions can be under the

26 same vice-presidency and conform to FERC's separation of functions and pro forma

27 OATT?

1 A. FERC does not require separation between transmission and distribution functions.
2 See Promoting Wholesale Competition Through Open Access Non-Discriminatory
3 Transmission Services by Public Utilities, Order No. 888, FERC Stats. & Regs.,
4 Regulations Preambles January 1991–June 1996 ¶ 31,036, at 31,699 (1996)
5 (“functionally unbundling the distribution function from the transmission function is
6 not necessary [. . .] to ensure non-discriminatory open access transmission.”). FERC
7 has recognized that a high degree of coordination is required between transmission
8 and distribution functions—as it relates to the coordinated operation of
9 transmission and distribution facilities as well as the ability of a system operator to
10 dispatch designated network generation resources to meet network load¹ (in this
11 case Hydro native load). Note, FERC does not have jurisdiction over distribution
12 functions.²

¹ In declining to functionally unbundle transmission and distribution functions in Order No. 888, FERC acknowledged the often necessary coordinated operations of the two functions (Order No. 888 at ¶ 31,699). FERC reaffirmed the importance of coordinated functions when it eliminated corporate separation between transmission function employees and other employees of energy affiliates, including for vertically integrated utilities, in Order No. 717. In its reasoning, FERC described how requiring separation between distribution and transmission function employees was no longer feasible, using the context of dispatch as an example: “[t]he employee functional approach accomplishes directly the goal of identifying which employees ought not to interact with one another, whereas the corporate functional approach attempts to accomplish that objective indirectly, by focusing on the nature of the employing entity. This casts too wide a net and ensnares employees who do not perform sensitive functions. Commission staff has expended much effort in attempting to clarify for companies which employees may interact with one another and which may not. In one case, for example, coordination of generation dispatch and transmission service reservations were both conducted out of the same system operating center, in order to realize cost and communication efficiencies. This necessitated a series of orders by the Commission to deal with employee classification problems under the Standards [of Conduct].” Standards of Conduct for Transmission Providers, 73 Fed. Reg. 16,228, at P 28 (March 27, 2008), FERC Stats. & Regs. ¶ 32,630 (2008) (Notice of Proposed Rulemaking).

² The Federal Power Act sets forth FERC’s authority over the transmission of electric energy in interstate commerce, excluding local distribution facilities from FERC’s jurisdiction.