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Report of the Auditor General on Nalcor Energy

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PUBLIC ACCOUNTS COMMITTEE

Report of the Auditor General on Nalcor Energy

Chair: Pleaman Forsey, MHA

Vice-Chair: Sherry Gambin-Walsh, MHA

Members: Scott Reid, MHA
Perry Trimper, MHA (via video conference)
Joedy Wall, MHA
Brian Warr, MHA
Jordan Brown, MHA

Clerk of the Committee: Bobbi Russell

Appearing:

Office of the Auditor General

Denise Hanrahan, Auditor General
Sandra Russell, Deputy Auditor General
Trena Keats, Assistant Auditor General, Performance Audit
Chrysta Collins, Communications Manager
Patrick Stuart, Strategic Analyst

Newfoundland and Labrador Hydro

Jennifer Williams, CEO
Lisa Hutchens, Vice-President, CFO
Gail Collins, Vice-President, People and Corporate Affairs
Jackie Borden, Internal Audit

House of Assembly Service

Evan Beazley, Committee Analyst
Gerrie Smith, Law Clerk
Mark Jerrett, Policy, Planning and Research Analyst

The Committee met at 9:30 a.m. in the House of Assembly Chamber.

I'll ask the Clerk now to swear in the oaths or affirmation of the witnesses.

CHAIR (Forsey): Good morning.

Swearing of Witnesses

We'll call the meeting to order. We would like to welcome you to the Public Accounts Committee hearing of Nalcor Energy audit reports of the Auditor General. Thank you to the witnesses from Newfoundland and Labrador Hydro for your appearance here today, as well as the Auditor General and her officials from that office.

- Ms. Jennifer Williams
- Ms. Lisa Hutchens
- Ms. Gail Collins
- Ms. Jackie Borden

CHAIR: Okay, thank you.

The Standing Committee on Public Accounts is dedicated to improving the public administration in partnership with the Auditor General. The Committee examines the administration of government policy, not the merits of it, and strives to achieve consensus in its decisions, whenever possible. Members take on a non-partisan approach to their work on the Public Accounts Committee.

We will now proceed with introductions, starting with the Committee Members.

I'm Pleaman Forsey, MHA for the District of Exploits and Chair of the Public Accounts.

First of all, we have to do some housekeeping. There are a few housekeeping remarks I will make before we get started in the hearing. Participants will be reminded that this public meeting and their testimony will be part of a public record. Live audio will be streamed on the House of Assembly website and an archived version will be available following the hearing. *Hansard* will be also available on the website once finalized.

We'll proceed with the rest of the Committee Members, starting to my left.

B. WARR: Good morning, my name is Brian Warr. I'm the MHA for Baie Verte - Green Bay.

When called upon to speak, participants are reminded to raise your hand for your microphone to be activated. The tally light on the desk will turn red. Identify yourself and say your name before you speak.

J. WALL: Good morning. Joedy Wall, Cape St. Francis.

J. BROWN: Jordan Brown, MHA, Labrador West.

Witnesses appearing before the Standing Committee of the House of Assembly are entitled to the same rights granted to the Members respecting parliamentary privilege. Witnesses may speak freely and what you say in a parliamentary proceeding may not be used against you in civil proceedings.

S. REID: Scott Reid, MHA, St. George's - Humber.

CHAIR: Also joining us remotely for the public hearing today is MHA for Lake Melville, Perry Trimper.

Welcome, Perry.

P. TRIMPER: Thank you, Chair.

I wish I could be with you, but this is working out fine, thank you.

CHAIR: Okay, thank you.

I'll now ask the witnesses to introduce themselves, starting with the president and chief executive officer.

J. WILLIAMS: Good morning. This is Jennifer Williams, CEO and President of Newfoundland and Labrador Hydro.

L. HUTCHENS: Good morning, it's Lisa Hutchens, Chief Financial Officer.

G. COLLINS: Good morning, I'm Gail Collins. I'm Vice-President of People and Corporate Affairs.

J. BORDEN: Good morning. Jackie Borden, Director of Internal Audit.

CHAIR: Okay, thank you.

Now we'll proceed with the Auditor General and her officials.

D. HANRAHAN: Denise Hanrahan, Auditor General.

S. RUSSELL: Sandra Russell, Deputy Auditor General.

T. KEATS: Trena Keats, Assistant Auditor General.

C. COLLINS: Chrysta Collins, Manager of Communications, Office of the Auditor General.

P. STUART: Patrick Stuart, Strategic Analyst.

CHAIR: Okay, thank you.

All right, before we get started with the testimony today, I will now briefly go through the procedure for the public hearing.

First, I'll invite the lead witness to make opening remarks. Following that, the Committee Members will pose questions to the witnesses in turns for 10-minute periods. The time clock will be used to track the time. These rounds of questions will continue until the Committee Members have exhausted their questions.

I now call on Ms. Williams to bring opening remarks.

J. WILLIAMS: Good morning to the Members of the Public Accounts Committee, the Office of the Auditor General, Officers of the House of Assembly and to all those viewing or listening, thank you for inviting us.

We welcome this opportunity to, not only answer any questions on this audit, but also our actions arising from it. We hope today will inform you about who we are, the Hydro of today and the Hydro into the future.

To start, following these opening comments obviously, we will then get into questions, as you have just discussed. I will do my best to answer, but I expect I will also rely upon those that I have with me today so that we can do our best to be fulsome.

A goal of any organization should be to continually improve; I can say with certainty that is a goal of Hydro. I have been with Hydro for nine years now and absolutely can see an evolved organization from when I started in the fall of 2014. But also, and perhaps even more so, we have evolved over that last couple of years and, as the focus of today, we have certainly evolved since the audit period ended in 2018.

In 2021, I was appointed president and CEO of the Hydro Group of Companies. I can assure you since that time, I and our team have been relentless in our commitment to being a prudent utility striving for continuous improvement in operational and financial stewardship over our collective provincial energy resources. Although this audit references Nalcor and took place as Nalcor, I will be speaking today with a unified voice for Hydro Group of Companies, now that we are operating as one, and I will be speaking about how we are moving forward.

I know it will take time for how we are different today to be seen and felt outside

the organization by the public and that is okay. We know we are accountable to demonstrate that to the public, that Hydro is improved, that Hydro is different. We have a team of leaders in place and colleagues who are committed to meeting the expectations of those we serve. That is our privilege. We know that we are different, that we are getting better and that we will get better with every year, as any prudent organization does.

I will try to focus for a few moment now on three aspects of our operations. First, I will speak about how we must adhere to good utility practice, which is the foundation of being a prudent utility so that we can be relied upon now and, importantly, in a further decarbonized and electrified future. Second, I will speak a little bit about how we are different today. Finally, I will speak about how we deliver on our responsibilities to the public while being subject to significant scrutiny.

I will start with why good utility practice is fundamental to our business. You will hear me talk about legal obligation, industry expectations and the expectations of our employees and customers.

First, it is our legal obligation to adhere to good utility practice. Government created legislation that sets the provincial power policy. This guides Hydro in the operation and management of the utility as a corporation. In section 4 of the Electrical Power Control Act, the Public Utilities Board must check Hydro's performance by using tests that are consistent with generally accepted sound public utility practice. Simply put, Hydro must be able to prove to the PUB and therefore the public that it is abiding by sound or good utility practice. It is a legal requirement.

Second, Hydro's commercial partners and industry peers have the expectation that Hydro operates to the industry standard of good utility practice. We are electrically interconnected to neighbouring jurisdictions.

If we do not adhere to good utility practice and our system experiences an outage, because we are interconnected and depending on the size of the outage, we can have a cascading negative effect on those neighbours. Neighbours will not allow for interconnection to continue if we are not a prudent utility. This can have a negative provincial economic effect when trying to sell electricity to neighbours and beyond.

Third, good utility practice is a standard for our employees and our customers. First, we must be able to have a safe workplace for our employees. There is risk in our industry, and we must have the ability to manage our operations commensurate with the roles seen in any utility. This is part of good utility practice.

Regarding customers: You will all recall the days of DarkNL, almost 10 years ago now. Hydro's system was not adequately prepared to handle the series of events that led to those sustained outages. In the final report on the investigation into the outages, the PUB noted Hydro did not meet the standard of generally accepted, sound public utility practice. I assure you, we are not the same organization as we were 10 years ago. We have worked very hard to improve.

Since then, and into the future, proving that we are adhering to good utility practice is necessary to protect against major outages for the people of the province. So Hydro must be able to abide by good utility practice because it's the law, our neighbours expect it and, importantly, our employees and customers expect it.

Now I'd like to focus on my second point: We are not the same organization as we were during the audit period. We have become better by being uncompromising and ensuring we listen to all forms of feedback. Since taking the additional CEO duties in 2021, the most critical skill I use is listening to our stakeholders, our partners, our government, our employees, our

industry peers and, certainly, the people in our province. Feedback on where you need to get better is how you get better, and it's how you deliver for future generations. So we welcome feedback and scrutiny.

Respecting audits as a form of scrutiny, we welcome audits, both internal and external. In fact, it is normal that any audit of any business will find opportunities for improvements. Otherwise, there would be no industry for audit services. We acknowledge that there were opportunities for improvement. We developed an action plan. It is attached to our response to the Auditor General's report that we submitted in January of this year. We're about 90 per cent complete on that action plan, nine months after submitting it.

I do want to recall that the audit period ended in 2018. Therefore, the conclusions are not reflective of today. They're certainly reflective of that audit period. We're now at five years after the conclusion of the audit period and we have implemented many changes.

Hydro works closely with government and understands the expectations that we manage the utility in a cost-conscious manner while not compromising on reliability and the associated good utility practice required of us. We've made progress in cutting our labour costs – publicly notable, through a new executive compensation structure – and where there were previously three levels of executive beneath the CEO, now there is one. As well, half of the previous executive positions were eliminated over the last two years.

Regarding other costs, we've absorbed inflationary costs over the last several years. We are having positive financial performance – a net income of \$580 million in 2022. We are on track for good financial performance this year as well. This utility will be a strong contributor to the province in the many years and decades to come, especially in a decarbonized future.

To hear the expectations of those we serve as electricity customers, we use forums such as customer feedback panels, surveys and social media channels. We're continuously leaning in to what they have to say and taking action to serve them with safe, cost-conscious and reliable electricity.

Finally, I will speak about how we are open to the scrutiny of our operations; for example, via the Public Utilities Board. We are already subject to that scrutiny and transparent in that form for our regulated operations, but I am bringing that lens to the whole organization. This is different.

A large part of Hydro's operations is subject to that extensive oversight of the PUB and its consultants and its experts. There is no other industry in our province – nor Crown-affiliated organization – that is subject to this type of frequent and routine cost and operational scrutiny.

This method of utility oversight is the norm for almost every jurisdiction in Canada and it's how Crown utilities are held to account on their costs. Government has the Public Utilities Board oversee Hydro and ensure that it is meeting good utility practice.

The point is this: There is an existing and dedicated industry-knowledgeable body in this province that ensures Hydro is being prudent in how it spends funds to meet its utility obligations.

Hydro plans on putting unregulated costs associated with Muskrat Falls to the regulator as well. We are not required to do this. We are choosing to do this and we will open it for examination.

Let me give an example of the examination of our operation works in practice. In 2017, Hydro went before the Public Utilities Board for a general rate application. We answered 1,300 written questions; filed close to 2,000 pages of evidence; it took over two years from start to finish and included sworn testimony from seven Hydro witnesses, over

15 days, with questions coming from multiple interveners and their expert consultants.

Every moment was captured via transcript and media are fully permitted to attend the course of the hearing and able to review all evidence. That is significant scrutiny of the prudence of our operating costs. I restate: There is no other Crown organization in the province required to undergo this level of cost examination.

It's also worthy of note that if a large part of Hydro's operations is set by another entity, for example, government, in deciding compensation approach and therefore the prudence of those costs, it is reasonable to expect that government itself may then become part of the regulatory review and be expected to answer questions, perhaps even testify in how its decisions on compensation would meet good utility practice.

Since 2021, I have started evolving the whole business to be ready for the public scrutiny on the parts of the business not historically subject to that scrutiny so we are consistent across the organization, and that is different.

So why is all this background important? This appearance today is about being held accountable to the past, absolutely. But it's also an opportunity to talk with you about Hydro in the coming years. There has never been a more important time than in the coming years for the electricity industry. We cannot compromise on good utility practice now and certainly not in the future.

We all rely on it and expect a reliable system today, but imagine 10 years, 20 years ahead when most, if not all of our economy, will rest on the back of the electricity system. Hydro must be able to adhere to good utility practice and ensure that that system is safe and reliable.

We are all collectively working towards decarbonizing our provincial economy to meet net zero 2050. For those of you with a significant personal value set, connection to that goal – and I know there are folks here with that same connection – it is an exciting and urgent time; I share that feeling. On your behalf, Hydro is readying our system for an electrified future and its opportunities. This is a once-in-several-generations shift.

We are also working towards 2041 and we have to ensure that we have the ability and talent to deliver on that incredible opportunity. All those who make up Hydro from across our province from your districts must remain connected to their duty to serve the people of the province with the energy that they can count on.

Sixty-five percent of our employees are outside the urban area. Almost 1,000 people are working outside St. John's to keep the lights on across the province and to deliver that decarbonized and electrified future. Our employees and you, our government, must be united in our interests in being ready for the future that is racing toward us.

In closing, I will say to anyone who will listen how much pride I have for Hydro and this job. It's because of the importance of the electricity sector to every part of the lives of the people here, but also the opportunities we have before us, but it's especially because of the people I get to call colleagues.

I'll share with you a very short story. Almost a year ago, in December 2022 – MHA Trimper will remember this – a major ice event cracked off 21 poles near Red Bay. During the restoration of power, there were dangerous conditions; temperatures that reached as low as minus 27; continuing ice and snow. I obviously wasn't on site to see the team in action, but the people in the affected communities saw the kind of conditions our employees were facing and the urgent work they executed.

The Hydro people that responded to that storm, they astounded me with the speed that they restored power for their neighbours and their families. I wish I could have these moments plastered all over the news, as it is truly remarkable.

I tell you this anecdote because this is who Hydro is as a utility. We are a family; our customers are family. We feel accountable to those we serve; we feel ownership and urgency in immediate service needs, like the storm in Red Bay and long-term needs, like being ready for a decarbonized economy. Hydro is part of who this province is. It's part of our collective culture.

In closing, please know that we at Hydro are all striving towards a goal in common with you all, to enable a brighter future for our province for future generations, where they will be the beneficiaries of the incredible assets here, many of which are assets that Hydro manages on their behalf.

My hope is that you walk away today knowing this, that Hydro must adhere to good utility practice for today and for a decarbonized future, that Hydro is not the same organization as it was during the audit period and that Hydro will deliver on our responsibility to the public while being open to significant scrutiny.

I thank the Public Accounts Committee and others in attendance today for their time and I welcome your questions.

CHAIR: Thank you.

I now recognize the Member for Baie Verte - Green Bay to proceed with questions.

B. WARR: Good morning.

Again, my name is Brian Warr. I represent the District of Baie Verte - Green Bay. I'm happy to be here this morning and certainly I'll start off by saying thank you for joining us this morning for our Public Accounts Committee public meeting.

I certainly appreciate your opening comments. That was your comment on your goal to continually improve; I think that's what it's all about.

Just with a few standard questions. With regards to the recommendations made by the Auditor General regarding discretionary expenses, which Newfoundland and Labrador Hydro has agreed with, there was a recommendation to review and update the employee-related expense policies.

Can you give us the status on that recommendation, please?

J. WILLIAMS: Sure, I would just have some very quick opening comments, but I will defer to one of my colleagues here to help with some detail, if that's helpful.

I would add that the discretionary expenses that were contained within the audit, I would not necessarily, myself, define as all discretionary. For example, travel and transportation: the vast majority of the expenses in the category were exactly that. We have employees that have to travel from Bay d'Espoir on up to Cat Arm, all across the province and that comes with expenses that are in this category, in this one as discretionary. Again, I just want to repeat that, I don't necessarily consider them as discretionary. For the truly discretionary expenses, we have already made changes and some well in advance of the Auditor General's report coming out in the fall of 2022.

So I will ask one of my colleagues to jump in and just give the exact status of some of the changes that we, indeed, have made and if there's anything left for us to deliver in that category.

Thank you.

B. WARR: Thank you.

G. COLLINS: Thank you, Ms. Williams.

Indeed, we have made changes, as Ms. Williams has noted. There is a variety of items that were addressed under the Auditor General's report so I'll just touch on a couple of those.

With respect to relocation policy, we have made updates to our limits in 2019, and ongoing right now is a final review of that policy, specifically looking at real estate and legal fees, ensuring that we have items around return-for-service agreements addressed and just the overall limits. So that one will be near finalized early in the new year.

Our overarching employee expense policy that you had mentioned, as I indicated there are a number of arms here for the items that the Auditor General had indicated. So those pieces are either complete or near completion. Then the overarching policy, which will be likely finished early in the new year, is really a comprehensive approach to the policy in tying in all of those pieces around discretionary spending. We have made excellent, I think, progress on this front.

I think I could also then address the post-employment standard which was also addressed by the Auditor General's office. We do have practices in place around that and we've actually embedded that in our code of conduct as well and really no further decision to be made on that. That is something that we're actively practising as an organization, as well.

B. WARR: Thank you.

You answered my second question in the first as well. So that's great.

With regards to discretionary expenditures and being in line with your policy, if you can speak to that and, as well, how are you monitoring that data?

L. HUTCHENS: So in terms of the discretionary expenses, certainly we do

have budgeting and forecasting processes in place wherein the budgets are scrutinized in those areas and we do monitor against our forecasts.

We've added some additional oversight. Ms. Borden's group, the internal audit group, has gone through and looked at the discretionary expenses that were incurred in the period from when the Auditor General's time period ended. So she's looked at 2019 through 2022, looked at those critically.

We also have put in place a process by which we will be looking at those and monitoring those discretionary expenses on a regular basis using data analytics and those kinds of tools. So we actually get down to the detail, it's not just at a summary level. That will be a process that will be a recurring practice going forward.

B. WARR: Thank you.

Have you reviewed to determine if your policies are in line with those of Treasury Board?

J. WILLIAMS: I can open up and then certainly if other folks would like to jump in as well.

There will be times – and I think it's important for me to mention this now – that we will not be able to have precise alignment with Treasury Board policy. I'll use an example. I think we're closer now with regard to alignment on, for example, per diems, but some of these aspects are included in contract negotiations and have been included for decades. So we have to be very thoughtful about precise alignment in every instance with all aspects of our operations as we're delivering, again as a utility and not core government. We have to be very careful how we commit to doing exact alignment there. But I do believe we have some work done to show where we don't align in various instances, so I'm happy to have one of my colleagues jump in.

J. BORDEN: Yes, we did a review of the Treasury Board policies compared to our own policies at Hydro to see what the differences were. Fundamentally, there's not that much difference. One of the main things is the inclusion of limits. So with the discretionary spending policy that Ms. Collins had referenced, those additions would need to be added as well.

B. WARR: Thank you.

There was a recommendation to complete a refresher on the code of conduct training. Can you please update the Public Accounts Committee on this initiative?

G. COLLINS: We have completed training and, in fact, we have virtually full compliance within the organization on that front. That has been completed since early in the new year. As I mentioned earlier, we've also update our overall code of conduct as well to reflect the feedback that we have received from the Office of the Auditor General.

B. WARR: Thank you.

That answers my next question.

Just a general question around issues around recruitment and retention of employees, whether they be health care professionals, tradespeople, public servants or the service industry. Can you speak to your company's position on the human resource file, whether it be positive or negative, and if it is whatever it is, can you speak to that? What are you crediting to the success of that or the deficit?

J. WILLIAMS: Thank you, MHA Warr.

I will open this, I think, with general comments and then Ms. Collins may want to jump in as well.

We are seeing an increase in attrition within the organization higher than historical levels. I think several years ago, we would

have been around a 1 to 2 per cent turnover; we're up to 4 per cent. It is not normal for us; it is an issue for us to be concerned about, as I go back to good utility practice and making sure that we can attract and retain the correct skills.

We are doing everything we can to address that. Some of those things are just going back to the fundamentals of a new vision, new values and a new strategic plan for us so that when we are trying to recruit, people better understand what kind of organization that they're going into.

I think it is probably stating the obvious that the negativity that has surrounded the Muskrat Falls Project has absolutely probably had an impact for us. We are trying really hard to make sure that people understand who we are as an organization going forward and the value that we bring, as we are both inside the organization rebuilding pride, as well as outside the organization rebuilding reputation.

We are having some new struggles and, in some areas, some pockets, we simply can't hire. We're having a lot of difficulty with hiring from a recruitment and retention perspective. It is one of our biggest corporate risks that we're managing. In addition to the ability to have power available in the future, this is the thing that I think about the most – obviously, a safe workplace, but it is what I think about the most.

Our ability to have the right programs, the right compensation, the appropriate benefits that are competitive with, let's be quite clear, Newfoundland Power – we have a competing utility here. We are competing for the same staff, from trade staff to skilled trades to qualified accountants who understand regulatory accounting, regulatory affairs. It is a very competitive environment. I expect government is very much feeling this, too. It is a fact of what is happening around us, so it is really

important that we are able to manage our affairs accordingly.

Gail, I don't know if you want to add anything.

G. COLLINS: Thank you, Ms. Williams.

I will add that when we look at our voluntary resignation – so those who choose to leave us versus retirement – 66 per cent of our resignations are with non-unionized employees. So that would certainly be –

AN HON. MEMBER: Sixty-six?

G. COLLINS: Sixty-six per cent, yes, and that's for 2022.

That would certainly be of concern for us, obviously, and we do take the opportunities where folks will provide us with the feedback to undertake exit interviews. Of course, that is voluntary but we do ask: Why are you leaving the organization? And over 40 per cent of the reason was for better opportunity or better pay.

That would connect back to the commentary that Ms. Williams gave around the concerns around compensation as a whole for the organization.

Thank you.

B. WARR: Thank you, Chair.

It looks like I'm out of time.

CHAIR: Thank you.

We'll ask the Member for Cape St. Francis for questions.

J. WALL: Good morning.

Thank you all for being here today and thank you to my colleague, MHA Warr, for asking several of my questions. I was pleased with some of the answers.

Just to be clear, with respect to code of conduct, was it mentioned 100 per cent compliance with respect to code of conduct training for all employees at NL Hydro?

G. COLLINS: The number is actually 98 per cent, which we would consider very much near completion, obviously. In some circumstances, whereby on the 2 per cent, the reasons would be folks off on leave at this point in time. So we just might not have been able to get the training in with them.

It's actively being monitored and, certainly, our goal is to have 100 per cent of our employees compliant. But 98 per cent, we would feel, is a fairly high level of compliance there.

J. WALL: Thank you for that.

For the benefit of you today, the 40 Members of this House of Assembly are not permitted to take their seats until Code of Conduct training is completed, which is very important to all of us and then, of course, that extends on to even municipal elected officials.

So I'm glad to hear that that code of conduct training has been completed and is a priority. As Ms. Williams said in her opening remarks, you are continually getting better. I appreciate that level of completion with respect to the code of conduct training.

With respect to the conflict of interest, again, another important area for training and for everyone to be knowledgeable with respect to conflict of interest, can you please explain to us today with respect to what action has been taken for your staff to have been trained properly with conflict of interest training, please?

J. WILLIAMS: I, again, will just have a couple of opening comments but will pass it to my colleagues who are much better with the detail than I.

In this province, especially, conflicts are going to happen. We're such a small province and the perception absolutely is going to happen. The Auditor General's findings here were certainly informative to the practice, to the changes that we are making. Obviously, within the report, it was materially associated with the Muskrat Falls Project but the findings were certainly important to us to incorporate into our practices going forward.

So I will hand it over to my colleagues to just add any additional context.

G. COLLINS: Thank you, Ms. Williams.

We have implemented procedures for a declaration of conflict of interest for employees. Our conflict of interest is actually covered under our overarching code of conduct policy as well. That is imbedded in our updated code of conduct. There's a very clear process that is in place for that, both for our employees as well as for our board of directors. Those are pieces that have been implemented as a result of the feedback that we have received.

We have also implemented, you might have heard I had mentioned earlier our post-office employment standard. That also has been impeded in our code of conduct as well and we've made all employees aware of those requirements as well.

As I said, we have mandatory training that is in place. We also have a tool in place; we call it an ethics line that we'd often refer to as a whistle-blower tool. We have our ethics line tool in place that if there are breaches of policy, then folks are able to make anonymous reports through that tool as well.

J. WALL: Thank you.

With respect to timelines, is this being refreshed annually every two years? What is the normal practice for the refresher?

G. COLLINS: So every two years would be the refresher and upon hire for those who are new employees to the organization.

J. BORDEN: From an audit point of view, we also added a process in place where we would review conflicts for red flags. We would take all of our vendor information and our employee information and do data analytics to look for any red flags that could identify, if they hadn't been disclosed.

J. WALL: Okay, that answers my next question.

Thank you.

Nothing further right now, Mr. Chair.

CHAIR: Okay, thank you.

We'll ask the Member for Labrador West for a few questions.

J. BROWN: Thank you.

Starting with the discretionary spending, given that the audit period was when Nalcor was, obviously, the lead entity, and now that Hydro will be the successor entity of what Nalcor started, did you feel at the time that Nalcor needed to keep up with entities like Hydro-Québec, private mining industry and that when it comes to the discretionary spending, especially around hospitality and miscellaneous?

J. WILLIAMS: So with the audit period being ended five years ago but started in 2013 – that's even before I started – there's a significant period where it would be difficult for me to comment, specifically, on the psyche of how the organization was specifically led at the time.

I think that how we are functioning today is very much being very cost conscious, and everywhere possible that we can align with government policy and approach, we will. We still have to honour and be accountable to good utility practice.

So not knowing exactly the psyche of the folks at the time, certainly I was in the organization for a couple of years of that period, but it'd be difficult to say who they felt they had to keep up with, if at all. Right now, we feel we have to be appropriately running ourselves according to good utility practice.

J. BROWN: Thank you, Ms. Williams.

Given that Hydro is technically the successor entity now, do you find there is still a culture within Hydro that of keeping up with private utility, keeping up with private industry? Do you feel that's still a culture there or do you feel that now you are more aligned with other government Crown corporations where you are responsible to the ratepayer and the taxpayer?

J. WILLIAMS: Thank you for that question.

I think we are very much aligned with the expectations of the public, that we run ourselves knowing that we are spending the public's money, 100 per cent. We have made meaningful changes to reflect that's exactly who we are today.

I referenced in my opening comments, specifically, the executive is one piece that's very publicly notable and very material in cost savings and differences. It goes right to one of the items that certainly came up in the Auditor General's report, how we were having recognition programs within the organization.

The previous approach was to do about a \$40,000 a year annual event for the president's awards. Within the first few weeks, I eliminated that and we went to a virtual, almost no-cost program, which, as I understand, does very much mirror how government acknowledges its very valuable employees.

I would suggest quite strongly that we are very much running ourselves as a Crown utility, not necessarily a private utility.

At the risk of repeating myself – it is important – there are areas that we have to be competitive with the private utility in the province, as well as regionally, I would suggest as well, be informed by the utility sector, as we do with other sectors here in the province.

There's a Crown utility in New Brunswick that is informative to how we believe we should be functioning with our employees.

J. BROWN: Thank you so much again, Ms. Williams.

Once again, given that NL Hydro is the successor to Nalcor, when looking at judicial reviews or scans of policy-making, what entities are your organization looking at to fine best practices?

J. WILLIAMS: I'll probably go a little bit further than maybe you were expecting. Best practices can sometimes infer a richer environment than you should be adhering to. Good practice is also okay.

I think about that with regard to how we manage our system. A gold-plated management of your business is not necessarily financially prudent. I think I know where you were going, but I do want to make that statement, because that is very much fundamentally how I believe. We should be doing best practices on safety; we don't have to have best practices in every part of our business.

When it comes to how we expend funds that are allocated to us, we would definitely be looking for the best practices of management of policy, things that help us align with good utility practice. We certainly would be informed by government policy where we can do that. We would be informed by what's happening in our local market. As I mentioned, for example, using Newfoundland Power as a comparator, if you think about power line technicians or electricians, we are absolutely competing directly right from school with those folks.

We have to have those as a comparator for us and, certainly, regionally as well, that is informative to us with regard to policy and approach that we have for our employees.

J. BROWN: Perfect, thank you again.

My understanding is that you're trying to find a blend of, obviously, staying competitive to keep your employees but, at the same time, trying to align with government. What other utility are you looking at or is it a made-at-home solution I can honestly say.

From what I'm hearing is that you're not really saying if there's another entity or anything you're looking at. Is it like a mash of different programs or are you looking at a made-in-Newfoundland-and-Labrador solution? We understand that there's a competitive market but, at the same time, you're also a Crown corporation; you do have to be held accountable to the general public and to us here at PAC. There is an accountability there.

My curiosity and my question is: How are you squaring the circle in the sense that you are a Crown corporation and you are accountable to the taxpayer?

J. WILLIAMS: Thank you for that question.

Very specifically, something that we're doing right now and to speak about compensation, if we narrow the question. We are currently undergoing, with input from government, a third party review of what our compensation should look like. This third party, we are under way with getting responses back from a RFP and they will then examine what should our comparators be for a Crown utility in this jurisdiction. They will look at what the appropriate comparators are.

We will have that report concluded in the winter and then we will work with government on the findings of that report.

J. BROWN: Thank you, I appreciate that answer.

Obviously, for the accountability for this salary side of it, under Hospitality and Miscellaneous discretionary spending, what policy have you put in place to make sure that between alcohol, gifts and other miscellaneous stuff that was spent in the audit period, what clamps have you put down to bring this into a reasonable thing, a reasonable policy that we're not hosting lavish parties or anything like that anymore?

J. WILLIAMS: I'll just have a very quick opening comment, because I don't want to repeat myself a lot through the day. But just, for example, alcohol at the McParland House, this has all stopped. I have to be very clear; it has stopped.

But I will ask one of my colleagues to jump in and add any additional detail on the specificity of the policy there.

G. COLLINS: As Ms. Williams referenced, our overarching policies would address what the expectations are for our folks throughout the organization to operate and abide by appropriate practice. The Hospitality & Guest Relations, as noted, those were specific to our Churchill Falls operations. They are no longer in place; we no longer operate that way as an organization.

The earlier overarching employee expense policy that I had referenced, that will certainly set the tone overarching for the organization as well in terms of the overall policy around that.

J. BROWN: Chair, seeing as my time is almost up, I'll move on to my colleague.

CHAIR: Thank you.

We'll call upon the Member for St. George's - Humber.

S. REID: Thank you very much, Chair.

I listened to your opening comments with interest. I guess I am going to start off with the first round of questions with some basic sort of questions about philosophy and try to figure out the way you're thinking about a public sector utility is different from core government and what is the justification.

I'll just start off at a broad question, first of all: Do you think that there is any requirement that a public sector corporation should be required to follow government Treasury Board policy in terms of compensation and benefits the same way core government is? If not, what justifications can you give for not doing that?

J. WILLIAMS: Thank you for the question, MHA Reid.

I understand that this is the biggest point of divergence in the Auditor General's assessment and Hydro's response. I think in three parts of the audit versus the compensation component, we are generally aligned. We accept a lot of the Auditor General's recommendations and thoughts. Even the recommendation that the Auditor General used with regard to compensation, it said that Hydro, Nalcor should examine its compensation policy to make sure it is the best use of public funds, and I fundamentally agree.

The thing is, though – and this is where we've got a foot in both worlds – we've got a foot in the utility world and a foot in the Crown corporation world but it is a Crown corporation. It is an actual corporation with a board of directors, its own mandate; it is not core government.

As I mentioned earlier, we are trying, wherever possible, to meet with Treasury Board policy but there are going to be times that Treasury Board policy will vary and it's because of the mandate that we have. Again, at the risk of repeating some of my opening comments, but it is really important for all of us, I think, today, to understand it

and it's the basis of your question, is that we have to meet the standard of good utility practice and that good utility practice standard is examined by the Public Utilities Board. If we do not meet Public Utilities Board practice, we are not complying with legislation that we're suppose to be adhering to. Part of good utility practice has the need for appropriate compensation.

So if we were to have a compensation regime that made us not be able to recruit and retain employees and we were not able to function appropriately in the running of the utility, the Public Utilities Board would appropriately say you're not running your utility according to good utility practice.

So it's very important that we have a compensation approach that is reflective of what we are, which is a utility with legislation that guides us and a Public Utilities Board that oversees us, that is a very big part of what our compensation regime needs to be set up on. So that is the fundamental reason why we have to function that way.

If I could for a moment refer to New Brunswick because that is one of the comparators that I believe I mentioned earlier and it would have been in our response that we submitted in January. I need to read the quote from our response, if you don't mind.

The New Brunswick Auditor General did a review as well of the government salaries to New Brunswick Power salaries – a fully Crown utility in that province. In the quote from their report, it noted that the differences between New Brunswick Power and core government salaries may be attributed to New Brunswick Power's requirement to compete with the utility industry for qualified employees, in the quote from their report. This was a 2022 filed report for the 2021 year for New Brunswick Power. It said that New Brunswick Power "operates in the unique and complex Canadian utilities industry

which often requires highly specialized roles or rare talent.” It basically said that it is the reason there would be reasons there would be differences between core government and NB Power salaries.

So that is the reason why we are different because we are a utility. We are not core government.

S. REID: I just want to follow up on this a little bit. I think some of the arguments that you’re making could be used in core government. If I were to talk to someone in Transportation and Infrastructure, they would say well, we have a responsibility to clear the roads and maintain the roads and that’s an important public service that we’re mandated to do. They’re required to maintain standards that they’ve agreed to with the federal government and with the provincial associations and things like that. They’re required to do those things as well. They’re required to do them within the boundaries established by Treasury Board as a government entity. I’m not sure; tell me how you’re different than they are?

J. WILLIAMS: The difference, in my view, is – again, I feel bad repeating myself but I think it’s really important to continue the conversation around this – as a utility we are separate from government and there is no Crown utility in Canada that sets its salaries in comparison to its government. It is the norm that a Crown utility is a separate entity that runs itself as a utility, not as core government.

Without debating too much, I agree, I would think, unless I don’t know much about it, generally the roads are administered as part of government in other jurisdictions, too. I can’t say that for sure. I certainly haven’t researched that, but if the roads maintenance is part of governments in other jurisdictions then that makes sense here. In other jurisdictions and here, the utility, the Crown utility, is a separate corporation and is not part of core government. There was

no Crown utility in Canada that aligns its salaries to core government.

S. REID: In terms of the salary, you mentioned that its one of the strategic challenges that you face, but the rates of turnover doesn’t seem to be that much out of comparison with maybe government or private sector. It doesn’t seem to be a situation that’s unmanageable.

Also, one of the people that you’re competing with is government. When you hire people, your compensations are better, you’re drawing people away from government as well, as another government entity.

So I’m wondering about the implications of that and the whole idea that you think you’re sort of different in that you don’t have to follow these policies. I would say the challenges that you talked about are sort of being faced by any corporation, any organization, really, are facing those same challenges given our demographics in this province. I don’t know if your challenges are that different from core government or any other corporation in the province either. So –

J. WILLIAMS: Sorry, did you want to finish?

S. REID: No, I just wondered how you would respond to that.

J. WILLIAMS: You are correct. I think the trend is different for us. So that is what’s different. We have enjoyed a very stable and low, probably in comparison to other industries, turnover. We are seeing a significant increase in turnover and a significant increase in parts of the organization that if we don’t react, we are going to not be able to demonstrate prudence, in my view. If we cannot manage this issue ourselves, if somebody else is managing it for us, I’m not sure how Hydro can be held accountable to the outcomes of the organization. I’m saying that quite plainly.

Again, I think this is an issue for lots of organizations looking for skilled people. The trend is what's changing. The trend is a concern, and I don't think it's appropriate or prudent to wait until you're into a crisis. We have to be able to manage our compensation and how we're managing our employees now and if we don't, we're going to get into a crisis point.

That's why I mentioned DarkNL at the beginning. If we can't have skilled people here, if we're heavily relying on the embedded contractors to fill jobs that we just can't fill, I really don't think that that stands up to the test of prudence.

We are having difficulty with compensation, because compensation is not being necessarily controlled within our organization now. I'll give you an example: Muskrat Falls. We have three embedded contractors; we can't fill those operational positions with employees. So we are spending two or three times per employee, at that location, because we cannot manage our compensation approach according to how we believe we should be able to. I think that's also not prudent.

We are looking for these skilled staff. We are trying not to rely on embedded contractors, certainly as the Auditor General suggested that we shouldn't and we agree, as much as possible; but if we can't hire people, that's the reality that we face in the future, and I don't see that as prudent either.

So I still feel very fundamentally that we should be able to set a compensation approach for what is a utility, but that is also a Crown, and we are not core government.

S. REID: I see my time has expired, so I'll follow up with some of my other questions at the next round.

CHAIR: Okay, thank you.

We'll go to the Member for Lake Melville.

P. TRIMPER: Chair, can you hear me okay?

CHAIR: Yes.

P. TRIMPER: Okay, good morning. Apologies; I got a bit of a cold and a sore throat, but I will persevere.

First of all, I want to start off by saying, Ms. Williams, I have enjoyed many conversations and meetings with you, and I have tremendous respect for you and your leadership. There is no concern at all about where you're taking this organization. I'm sure it's in good hands right now and I'm very relieved each day that you're there at the helm. That said, given we kind of nodded back in time, I think it's important to talk a little bit about the past and my questions, of course, are going to probably centre mostly around there.

I take note, and I heard you say this even before today, when you came on to this position, as you said today and other times, you started making changes right away. Then, along comes this Auditor General's report with many examples, I'd suggest, where you've already made those changes. That probably caused a bit of frustration, but I just wondered, that juxtaposition of you moving forward, realizing that some changes needed to be made and then someone else coming along and telling you the changes needed to be made.

I just wondered if you had a comment to start off.

J. WILLIAMS: Thank you, MHA Trimper.

It's a great question and at the risk of pumping my director of Internal Audit's tires too much, I have matured – I'm going to say it that way – in my view of audit over the last number of years. That's why I was very specific in my opening comments that audit is okay.

Audit is very okay and the Auditor General had a lot of findings there that were absolutely correct and that we needed to do something different going forward. We are doing that different but I want to say, within the organization, I have gone to the director of Internal Audit and said: I want you to go audit this part of our business because I know we need to get better there.

So I'm not afraid of that examination. I'm not afraid of audit at all. I wish there was more of Jackie in the organization because we have got to be ready, willing and able to examine with a slightly arm's-length – and with the Auditor General, even further arm's length – eye how you need to get better. That is an involved view. I certainly had a much more bristled view a number of years ago when it would come to being audited. I envisioned the auditors as police. It is very much not that. I very much view the audit as an opportunity to get better.

Again, I said it in my opening comments, it is how you get better. It's the same, too, with the Public Utilities Board. When you know you're going to be scrutinized and you're using those tools to get better, I think that is great for us.

I do have – I never know which word I should use – sympathy or empathy. The Auditor General – this was a beast of an audit, a beast of an audit, I think she had to bring it to conclusion. She and her team had to bring it to conclusion. I'm sure her team are delighted it's over. Maybe happy today is over as well, because we need to continue moving on as a province from this. You can see the Auditor General is getting a lot of reports out the door.

Again, at the risk of pumping her team's tires, they are cranking out a lot of work as well. But the more you are okay with audit, embrace audit, package it according to the time frame in which it exists, acknowledge that things are different and that is what is in the audit is not reflective of us today, I don't think I would be frustrated to go to maybe

some of your question there. I am okay with it.

But I'm really glad we're actually having this conversation today because I was afraid something was going to happen with the weather and I was like, oh, God, I want to be here, appear here with the team, hopefully give you assurance that we are absolutely going to take in every part that we can and get better going forward and we will continue to get better going forward with subsequent audits and subsequent public scrutiny.

P. TRIMPER: Well, from what I know of your team and everything else that's happening, I think that's probably the important message for the public to understand today is that we're certainly dealing with a different organization (inaudible).

That said, I did want to go back, having been in Labrador now for close to 40 years, I've watched a lot of projects come and go. I guess I wanted to start off by talking a little bit about the embedded contractors. The AG had some interesting comments that there were over 500 embedded contractors that lasted more than two years and 100 positions of those lasted greater than six years.

I'm trying to understand, how was the appointment of embedded contractors made during those years? Frankly, prior to that, I guess it's not beyond the scope of the audit, but certainly the workforce was ratcheting up. I know I was aware of an embedded contractor suddenly showing up. One day they're an employee, the next day they're an embedded contractor. Who is watching that?

J. WILLIAMS: Thank you, MHA Trimper.

I will only talk a little bit about the past because again not being part of the decision-makers at the time, Ms. Borden may want to chime in a little bit on what her

specific knowledge of that was, but if you don't mind – I know you didn't ask this but if you don't mind, I'd like to talk a little bit about how we're doing things differently now.

Some Members will be aware that we – and I referenced it in my opening comments and maybe in one or two of my answers – have to expand our system even further. This is a very strange thing for people in this province to understand and accept. We are like, we just finished this other big project and now you're telling us that we have to do more, but everything has changed in our society with regard to decarbonizing our society.

Our system is not equipped and no system in Canada is equipped for that. So every system in Canada has to expand. So what I would like to note about that is we are doing things differently from the very beginning as we are getting ready for that decarbonized future and that expanded system.

The public and yourselves might hear of some discussions that we'd be having in various forums about, for example, another unit down in Bay d'Espoir, an eighth unit potential in Bay d'Espoir that could help us with having an expanded electricity system that can deal with oil to electric home heating conversions, that can deal with electric vehicles.

That will be a big project. Nowhere near as big as Muskrat Falls, obviously, but bigger than what our routine projects are. To get us ready for that, one of the things that we have done is brought in internal audit from the very beginning and said help us set up what the – remind us what the gaps were, what went wrong the first time, including how we're using contractors. What we need to do in the set-up of this next big expansion to get better going forward. So at the very beginning of us getting ready for that, we are absolutely functioning very differently.

I think I'm not quite answering your question about how did it happen before. I'm telling

you how it's going to happen going forward, but I will, not to frustrate you, I would ask Jackie, if she doesn't mind, just to add a little bit of context about the specifics about how that happened in the past.

J. BORDEN: I can talk a little bit more about the specifics, especially around the knowledge that I have around the Lower Churchill Project.

One of your references was about employees converting to embedded contractors; a couple of things would have happened there. There was one situation highlighted in the report that should not have happened. If we look back at the processes that were in place, it was highlighted by the Auditor General that we didn't have a post-office employment process in place. That should have been in place to pick that up. It will be picked up now so it wouldn't happen again.

If I look at the embedded contractors, in general, especially around that time, I don't have numbers in front of me, but a significant portion was related to the Lower Churchill Project. If we step back and don't look at some of the specifics that went wrong, in general, the recruitment of embedded contractors happened very similar to normal recruitment on projects or in any business in that HR would determine what the requirement was, recruitment process would happen and offers would be given, so very similar to recruitment. The majority of the Lower Churchill Project embedded contractors did go through that process, but we did have a couple that should have happened differently.

P. TRIMPER: Right on. Thank you.

Looking at the situation now, I'm looking back and just imagining rates. As you may know, I had 30 years in a professional consulting company and our rates were very objectively, very transparently designed.

I just wondered how you might do that going forward now in terms of setting your rates for an embedded contractor, given a certain similar skillset? Are there industry standards now for setting that because sometimes it's a reflection of timing, availability and embedded contractor being able to set the rates with a pretty strong deck of cards?

L. HUTCHENS: Thank you for that question.

I think one of the things that may be pertinent here is the Lower Churchill Project was actually exempted from public procurement requirements. At the time, it was the *Public Tender Act*. Today, we have the *Public Procurement Act*. It's a slightly different piece of legislation but certainly both set the tone in terms of public procurement expectations. So the Lower Churchill Project was exempted from the *Public Tender Act*.

Today, we don't have similar exemptions. The Lower Churchill Project office has closed and the procurement of all of our contractors actually goes through our public procurement process in accordance with the legislation.

So you would see a process there where you have competitive tension in bids; all of the things that the public procurement process brings with it. I think that is probably a change that we have seen from what was the case on the Lower Churchill Project to what we see going forward. Today all of those contractors go through a public procurement process rather than a hiring type of process and because we have the public procurement legislation, that does apply.

P. TRIMPER: My final question – and maybe it is a trick question – but I recall when the legislation –

CHAIR: Thank you to the Member. We'll come back to you in the next round of questions.

We are reviewing the 2013-2018 report of the Auditor General. I did read the report and some of the questions there that we chose were pointed questions, as it is in the report, so I do have a couple of questions there for you. We see that management executive positions in Nalcor were paid significantly higher than comparable positions within government. Why was this?

J. WILLIAMS: Thank you for the question, MHA Forsey.

I feel bad saying this but, at the time, the 2018 audits, so we're five years out – but it is accurate that today the positions on a points-value basis certainly would be different. The compensation points might be similar, according to what we had found throughout the audit. The reason for that is when you think about how compensation works is it is kind of a two-step process. You set inside your organization internal equity; you value your positions according to job values.

I'm looking for my notes because this is something, obviously, that is coming up with government as well. Government has required that we have pay equity. So pay equity is related to internal job equity as well. This is a bit of a longer answer, but it is an important one. You look at all of your jobs inside of your organization; they get assigned points on the basis of how you evaluate each position and various skills required; and the skills that are required according to the job evaluation group that we use, we use know how, problem solving, accountability and working conditions. Government, in its pay equity legislation, has talked about skill, effort, responsibility and working conditions – essentially the same.

What happens is you take all of your jobs, you give them points value and then you group them according to approximate similar points and everyone in those points band gets paid similarly. Then what you have to do is that you have to take those

points bands and you say, what is my salary scale for that? Then you set your salary scale on the basis of the industry that you're in, not because the points are the same.

I know you mentioned that there would be, say, deputy ministers with similar points of myself or Lisa, and why aren't those the same salary scale. It's because it's different industries, and we talked about that with MHA Reid as well.

Hydro would have same points value as oil and gas. We don't pay our employees oil and gas salaries. It's your industry that sets the salary scale. The points are an internal equity item, so it is not surprising that government, with its responsibilities, has similar points value. It's the industry in which you operate.

CHAIR: Okay, thank you.

Again, basically, to add to that question referring to the report: "Compensation for selected senior management employees may include incentive payments in lieu of bonuses. For government comparison, compensation paid to management and executive consisted of base salaries, salary increases and benefits." What is the difference? Why is it different?

J. WILLIAMS: I'm sorry, would you mind repeating the question?

CHAIR: In the report, "compensation for selected senior management employees may include incentive payments in lieu of bonuses. For government comparison, compensation paid to management and executive consisted of base salaries, salary increases and benefits." Why is the difference?

J. WILLIAMS: Thank you.

Your questioning is, I guess, mostly around the inclusion or having incentive payments/bonuses.

CHAIR: Mm-hmm.

J. WILLIAMS: So the bonuses have been cut from our compensation structure for several years now.

CHAIR: Okay, thank you.

In 2016, Nalcor engaged in a consultant to perform a compensation review which allowed a maximum base level of 120 per cent. Some positions increases were as much as \$30,000, when, at the same time, government employees were under a pay freeze. Where was the accountability?

J. WILLIAMS: So 2016, I certainly wouldn't have been at the executive table with those decisions, but we are different today, as I've mentioned. I feel bad repeating myself, but we have set, or we're working to set, a compensation structure that is reflective of being a Crown utility. So both a utility and being respectful that we are a Crown as well. We've made significant changes in compensation since the audit period.

CHAIR: Okay, thank you.

Again, through the report of 2013 and 2018, we see a number of oversights and accountability was common. Why was this and what steps are being taken to address this?

J. WILLIAMS: I will open and Gail may or may not have anything to add. It will depend on sort of the question here, but when I think about how we are today with regard to accountability and oversight. Obviously, we work very closely with our government department and do our best to form a positive relationship there that is informative to how we need to function. So that would be an accountability and oversight. We have a board of directors that has been put in place and appointed by government to oversee Hydro. They have their own accountabilities with regard to fiduciary duty to the organization.

I've referenced the Public Utilities Board earlier, that is very much – and I gave the example of the materiality of the examination of our costs as it relates to being a utility. It's really important that I stress that again. It is significant. When Hydro has any application to the Public Utilities Board, but in particular our costs, I think there are about five different interveners and each intervener is generally represented by two, sometimes three, lawyers and those lawyers will hire industry experts to question the validity of the costs that we are putting forward. They're often national-level consultants that know what a utility should be including in its costs or should not be including in its costs.

In particular, I'm sure you see the Consumer Advocate, very much publicly as well as – and you would see, I think, publicly in media reporting, a very small snapshot of the evidence that he and his team and hired experts puts on the record for us, and certainly Newfoundland Power when they are in the similar situation. But they are putting forward significant scrutiny and oversight and then you have the Public Utilities Board, all toll, taking all the information and I guess adjudicating what is appropriate for us in the provision of our mandate. Again, it's a legal obligation that we have.

We have annual reports that we have to submit to government from the transparency and accountability reporting. We have created a new strategic plan that we're making sure we're getting out in the public with. Obviously, from an accountability perspective, I am making myself as available as I can to the media.

It doesn't always work. I'm sure if there are any media listening today, there are times that they would probably like to have access and it just doesn't work. But I believe that is very different. I am very much okay with putting myself out there, and some of my team, to be very available to the media and to be very publicly accountable.

CHAIR: Okay, thank you.

Just another small question. Under the action plan, a review of all discretionary expenses related to Treasury Board policies to determine if alignment is appropriate. There's no action taken as of yet. Can you give us an update on that?

J. WILLIAMS: I will have to ask my colleague on the specifics there.

J. BORDEN: That was part of an internal audit review to ensure that the comparison is done. The action plan that you would've received in January has been updated, so a lot of the actions listed there, either no action or partial, have been completed. We're at 90 per cent on completion for that entire plan right now.

There are a couple of policies that are slightly different, but one of the main things is the identification of limits. In line with what the Auditor General said, that needs to change in the upcoming discretionary spending policy. That is an action that's still outstanding.

CHAIR: Okay, thank you.

I can see my time is just about done. So at this time, after the first round, I will give an option if we want to take just a five-minute break just to get water or whatever.

B. WARR: Use the facilities.

CHAIR: Use the facilities.

We'll just take a break for five minutes. Is that good?

Okay, thank you.

Recess

CHAIR: Okay, I think we're all back and refreshed a bit.

We'll continue with the questioning. I'll ask the Member for Baie Verte - Green Bay to continue.

B. WARR: Thank you, Chair.

When I finished off my first round of questioning, I was talking about recruitment and retention of employees, and I talked about your human resources file.

In the Auditor General's conclusions, she states that: "The inherent conflict of being a public sector organization that has to compete with the private sector for human resources is a complicating and challenging factor for Nalcor, but also for government. When a public sector entity's salary and benefits practices are more lucrative than others, it creates disparity in the public service, adds to recruitment and retention challenges, and ultimately reduces the public's trust that public money is being managed appropriately."

Can you comment to that statement, please?

J. WILLIAMS: Thank you, MHA Warr.

Yes, I will say that when I saw the noting that the trust may not be there if we are dissimilar from government salaries – I know it's not the exact wording, but it could be interpreted a bit like that – I very much think again about the Public Utilities Board process and how our costs, including compensation, would be held to account through that process. As I mentioned earlier, that is really the norm for utilities across Canada. It's not abnormal that our costs as a Crown utility go through a regulatory process for review.

That is where, hopefully, even though it's complicated sometimes with regard to the Public Utilities Board and how the public feels about the administration of that process, I very much have a lot of faith in regulation, that it will make sure that the

costs that we are incurring are appropriate and prudent for the service that we provide.

That's where, I would hope, through improved public understanding, that the public does trust that the costs are appropriate and prudent so it would meet with the Auditor General's expectations that the public trusts that we're expending funds okay, that is an existing process that government set up that is normal across the country and that is how, in the administration of what we do, our costs are examined.

I'll repeat some of my opening comments. The amount of scrutiny that our costs go through to check it against what our mandate is, I don't think there's any process in this province that goes through that same process – any Crown organization, anything at all. The diligence that gets looked at – I mentioned 1,300 RFIs in our last general rate application. Some of these would be a page in response; some of them would be full reports.

The examination that we have of our costs is deep and is significant. I believe that should inspire public trust. I understand the challenges that the public doesn't always understand that, but that is very much fundamentally how I feel about that.

B. WARR: Thank you.

I actually had it written down and you just, sort of, mentioned it again, your mandate. Can you share with us what your mandate statement is – what the company's mandate is?

J. WILLIAMS: So our mandate, obviously, at its most fundamental, is to provide power at least cost, reliable and now government has put in sustainability as a consideration into legislation for us to meet to the people of the province and to develop the energy resources, accordingly, for that. That is fundamentally the mandate that we have.

Obviously, we take that and we translate that into a more robust strategic plan, annual plan, those sorts of things, but that is, at its most fundamental, what we are required to do.

B. WARR: Thank you.

Just a couple of comments. I'm really glad to hear you comment on getting ready for the next big project and what you would do different and, obviously, you shared that with your team. The other thing that I was happy to hear, here today, was being accountable and transparent to the public and be open to constructive criticism.

I want to go back to one part that jumped out at me in the audit, and that was on page 2 of the Nalcor Energy audit of November 2022. I guess they're talking about the differences in the benefit packages offered, and the one thing that jumped out at me was up to 108 employer-paid leave days annually for Nalcor. You know, when you do the math, based on a regular five-day workweek, 260 days per year, that initially says that you can be off for 41 per cent of your time and still be paid a full salary.

Can you comment on that as well, please?

Thank you.

J. WILLIAMS: Yes, thank you for that question.

That's a really important one and I think we were mixing, in that number, short-term disability which very few people in the company use. Seventy-five days are allocated for short-term disability. So if anybody is facing significant illness or significant injury, of that 108 days, about 75 are short-term disability. We don't have people frequently off on that. That is not vacation. The 108 days are not vacation days. I think it might have been understood by the public to be that number, but that's not the case.

We would have folks that enter the organization at probably three weeks vacation. Perhaps the best – and I should know this off the top of my head, but depending on an extensive amount of service, I think it might be five weeks. It might be as high as six. I'm not sure.

That's the kind of vacation allotment that we have, as well as a few family days and then, obviously, if people have just routine sick. But that included short-term disability that very few people use in the company.

B. WARR: Thank you.

Chair, I'll pass my time over to the Member for Cape St. Francis.

CHAIR: Okay, thank you for that.

We'll continue now with the Member for Cape St. Francis.

J. WALL: Thank you, Chair.

I do appreciate the responses that have been given thus far. I've made a lot of notes, so I appreciate being forthcoming. I do have just a couple more questions.

My colleague asked earlier why NL Hydro isn't treated the same as core government. I hear what you're saying with respect to you have your own board of directors; you have, as you just commented on, your own mandate; you're not Treasury Board or core government; you always refer back to good utility practice. So that would be an appropriate compensation approach when you're looking at running this corporation.

I'd like for you to explain to me, under good utility practice, how you derive the compensation policy that you're currently using for your current management positions, please.

J. WILLIAMS: Thank you for that question.

I will start in and Ms. Collins may jump in if I haven't been (inaudible) detail. To start, though, I know you weren't inferring this but I feel it should be said, good utility practice is really how we do everything. It's how we schedule our maintenance, how we operate with reserves everyday, all of those pieces. But, certainly, a component of good utility practice is that we are able to hire and retain skilled people so that they can both operate assets as well as plan future assets. So I thought it would be important just to say it guides everything that we do.

How good utility practice connects with administration and setting up of compensation, it goes back to that kind of fundamental. We have to be able to demonstrate that we are doing what other reasonable utilities would be doing in the administration of their work. Good utility practice means that you have the ability to budget and operate the business to a standard that other utilities would as well.

When we set up our compensation policy, we would want to – again, at the risk of repeating some things I said to MHA Reid, as well as what MHA Warr talked about – we have to consider: What are our recruitment and retention risks? How are we setting compensation banding? How are we bringing people into the organization? Who should we be competing with? I referenced earlier, we are not competing with oil and gas. We are not trying to recruit from oil and gas.

We're trying to compete with utilities, where that makes sense. That's really fundamentally how it is. We have to be able to demonstrate that we have the ability to recruit and retain skilled staff when it comes to good utility practice. You do that by setting up a compensation regime that allows you to hire those skills from the talent pool that is available.

I don't know. Ms. Collins, would you like to add anything? You don't have to, but

G. COLLINS: What I will add would be around the comparator market pieces. I think you had asked in your question just wanting to understand how we've come to the place where we are.

The salaries and the information that would've been included in the audit report would've reflected a different set of comparator markets than what we use as an organization today. In 2018 – so post-audit period or at the end of the audit period – we actually completed a review, at that time. We would've looked at our overall compensation approach for the organization. At that time, a different comparator group and, I would suggest, a more appropriate comparator group was identified and utilized for the organization go forward.

Ms. Williams has referenced that we certainly compare ourselves to the utilities market. We would look at Atlantic utilities as a data set for our compensation. Historically, there would've been different comparator sets used. I don't know how meaningful it may be to the audience here, but I'll suggest what they were.

For our non-union, non-executive, historically and during the period of the audit, they would've used utilities generally and general industry. For the executive group, they would have included all industrial, which would've included oil and gas as well. That is no longer our comparator group; it's not who we use. Again, the group that we use would be Atlantic utilities.

J. WALL: Okay. Thank you for that. I appreciate the response.

One last thing with respect to – Ms. Williams, you mentioned earlier about the bonus payments for management and employees have been discontinued. I fully understand that. But at the same or thereabouts, the salary scales were broadened.

Now, maybe that comes back to your answer that you just gave me at that time with respect to that, but I'm sure that's where that's going to come from with respect to the new way that's done from here on in.

Yes, you answered my question. Good.

Mr. Chair, I'm good for now. Thank you very much and thank you for the responses.

CHAIR: Okay. Thank you.

We'll go to the Member for Labrador West for a few questions.

J. BROWN: Thank you, Chair.

Given that there was perceived times of conflict of interest pointed out at Muskrat Falls and it was pointed out by the Auditor General, what has Hydro done to limit or eliminate this possibility from happening ever again?

G. COLLINS: Thank you for that question.

Certainly, we have made it very clear to our employees and our organization as a whole, as well as any group which interacts with us in terms of doing business, whether that is contractors, our governance body of our board of directors, we make it very clear what the expectations are for us as an organization and how we operate, ensuring that we are acting in a way, which appropriately reflects the behaviours that we should have as a Crown utility.

We have implemented changes to our code of conduct and we have ensured and made clear within that particular policy the scope of who that applies to. I can assure you, we regularly communicate with our employees around the expectations of how we operate and what's expected of us. We have also put in disclosure processes now to allow for an easy – or I guess I don't know if easy is the right word but an appropriate method through which to disclose potential conflicts

of interest and allow us to even have that discussion.

That's a conversation we have with our employees around that, as well as is if you think it's something, come talk about it with us and then we work through that process appropriately. As well as the training that we have in place.

J. BROWN: Thank you so much for that answer.

How old is this operating procedure and policy? The current policy, what year did this come into effect?

G. COLLINS: That's a good question and I just need to flip to my policy. If someone else on the panel has the actual date on the policy, feel free to jump in.

It started, I think, in 2015, but the most updated version would be as of 2023.

J. BROWN: Thank you.

The policy that is operating now was updated in 2023, so the current operations – so employees have been trained on this new policy. Have they been updated to the 2023 standard?

G. COLLINS: Yes, that is correct. It's the 2023 version.

J. BROWN: Okay, thank you so much.

Moving over to Embedded Contractors; has Hydro changed its operating procedure on how embedded contractors operate within the company?

J. WILLIAMS: Thank you for the question.

I'll start, but I might ask you just to expand a little bit on the question. You say how they operate within the company. I want to make sure I understand the question.

J. BROWN: Yes, obviously, embedded contractors were hired to do tasks within the company like HR or other things like that, which, in normal circumstances, would be actual employees doing things. Given that, during the time of audit, some of these embedded contractors were doing, what would be perceived as Nalcor jobs? Is this still a normal standard or do contractors now operate on just specific tasks that are not normal operations?

J. WILLIAMS: Thank you for that clarification. I think I will start and Lisa may want to jump in as well.

I referenced in my other answer or my comments earlier, we are using embedded contractors where we have to. Sometimes they are doing jobs that should be employees and were having difficulty. I mentioned at Muskrat Falls we're having difficulty recruiting. We've got to run the plant. We had to buy a more expensive contractor to do that.

We're not giving up. We are doing everything we can to continue to recruit in these very hard-to-recruit places. So to be very specific in that answer, yes, there are times that we are using a contractor because we have no choice to do what should be an employee's job.

Otherwise, they are meant to be used if we have assistance with volume of capital work, very specialized skills. I think about we had a contractor come with us in our lines group that had a very specialized skill that we didn't have inside the company. But what we did was we transitioned that work to an employee a few years later, after the skill had been effectively and safely transferred to a new employee.

It's a mix of how we're using embedded contractors. Our intention is to use them as little as possible, but I certainly don't want to leave an impression that it will not happen again. I mean, it's going to be difficult to be fully off them permanently long term,

especially as you undertake these bigger projects that are headed toward us.

I don't know, Ms. Hutchens, if you wanted to add anything to that.

L. HUTCHENS: Thank you for that question.

I think at least a portion of your question speaks to the authority that the contractors might have, in that they had the authority to approve invoices, those kinds of things. That has stopped. We updated our signing authority policy in late 2019 and removed the ability for contractors to procure or pay for items that they previously, perhaps, would have done so. So we have removed the ability for contractors to actually approve the purchase or procurement of any items.

There is an exception in the policy, I will let you know, that it can be done if there are exigent circumstances that would require it. They do require my approval and I have not given any to date. So none of our contractors today would have signing authority to procure a purchase or anything on our behalf.

J. BROWN: Thank you for that.

Is this a written guideline for future work, when it comes to – obviously, if there's another large project, given that Ms. Williams mentioned a couple there. Is there a written policy on how we will operate with embedded contractors in such circumstances Bay d'Espoir, eight, or any future Upper Churchill work? Is this going to be a written policy handbook on how we use embedded contractors going forward, given that these situations usually tend to increase the amount of embedded contractors the utility would use?

L. HUTCHENS: Yes, we will have a policy. The policy is not yet complete. We do expect it to be completed by the end of the first quarter of next year. I believe that was one of the items in our action plan.

The policy has been drafted; some of the core principles are there. We've got the high-level processes sorted out and we're now going through the process of ensuring that the processes and whatnot are aligned with the business so that it can be executed efficiently and effectively.

The policy will include things like the processes and controls around ensuring that we mitigate any conflict of interest risk with contractors; documented and vice-president level, approved justification for contractors over hiring of an employee, including cost comparisons; consistency in contract terms in terms of allowances, start and end dates, cost management things, those sorts of things; standards around protection of our assets, so what access do they have to our assets.

The other thing that we're doing is extensions and transfers of a particular contractor will require the same documentation as if they were coming in new. So we'll go back and redo the justification that we would do at the beginning of a contract term, every time we roll that contractor over, if you will, and ensure that those processes are – so there's a regular check in.

The policy will also include a requirement as a corporation to go through and periodically look at all of the embedded contractors to ensure that they still meet the spirit and intent of where we want to be with embedded contractors.

J. BROWN: Thank you so much.

How many embedded contractors are currently operating within Newfoundland and Labrador Hydro right now?

L. HUTCHENS: So the number would be much less, obviously, than what was the case on the Lower Churchill Project.

J. BROWN: Yeah.

L. HUTCHENS: And they'd be there for a variety of different reasons. The number does vary a fair bit, depending on our construction time frames. We're right at the season where we're kind of finishing up construction and moving in to winter readiness and whatnot.

I can't give you an exact number that we have in today, but it would be less than 100 for sure.

J. BROWN: All right.

Thank you. I'll move my time over to my colleague.

CHAIR: Okay, thank you.

We'll now go with the Member for St. George's - Humber.

S. REID: Thank you, Chair.

I want to continue with some of the themes that I started off with in my last round of questions. I guess some of them are related to your opening comments and comments that you've made to other questions here as we've gone along. Because I think it's important to sort of understand how you think and how the corporation thinks, as you move forward in relation to issues of oversight and things like that, as a public sector corporation.

One of the things that you mentioned in your opening comments, and in answering other questions as well, was in relation to your oversight by the Public Utilities Board. I just want to seek some clarification here.

Are you saying because the Public Utility Board thinks the compensation levels are fair, that you feel okay in ignoring the Treasury Board guidelines, the government guidelines and maybe even public opinion in relation to compensation levels? Do you see the work and the oversight of the Public Utilities Board more important than the oversight by regulations established by

government or the Public Accounts Committee or the Auditor General's office? Where do you see the sort of oversight? You mentioned the Public Utilities Board so I'm wondering where you see them in the mix of other entities as well.

J. WILLIAMS: Thank you for that question.

I certainly hope I'm not giving an impression to the Committee today that I hold the Public Utilities Board as the only body that we would feel ourselves accountable to. Certainly, I mentioned in my opening comments that the public very much is a group and government very much is a group that we want to hold ourselves accountable to.

We have various expectations and pushes and pulls. That is what we are charged with, using all of that information to determine how do we move forward as an organization?

Would some folks love for us to get paid a lot less? I am sure that is true; I read social media as well. I mean, this doesn't happen often, some folks would say: You should get paid very differently. The other utility in the province pays their executives a lot higher than us. Some people will say: From a pay equity perspective, how are women being paid in your organization, including me? How is that fair?

So there is no agreement within this province from any party on how compensation should work. We are factoring in all of the inputs and all of the appropriate oversight into how should compensation work and really trying to find the compensation regime that strikes as much a balance as is possible.

Going back to what I referenced earlier, is that we are getting a third party to provide for that research on what should it be. We think that will be incredibly informative. That was done in consultation with government

with regard to what content that will look like.

What is that going to say? Is it going to say yes, you should actually be paid the core government rates? Will it say you should get paid something very different? We'll have to see what the result of that third party report says, but there was, unfortunately, because compensation is very complicated, no agreement on what one group would say you should get paid.

The Public Utilities Board doesn't set compensation for us. What they do is they say: Are you running your utility prudently? That is the current accountability that we have to meet that and if we don't, I think we are letting the province down. I go back to DarkNL. I mean, if we have a finding that you are not running your utility prudently according to good utility practice, I don't think the public wants to hear that either. If we're not running ourselves well according to good utility practice and we have outages because we can't retain and recruit people, I don't think the public would be very happy with that either.

If we're trying to develop and decarbonize the future and we don't have the skill set because, let's think about also in the province, we've got this decarbonisation opportunity happening, a lot of our economy is going to move onto the backs of the clean electricity system. There are also a lot of opportunities happening in the private industry of the hydrogen industry. There are people that are moving to that area. We're not going to compete with them, but we are losing folks in that area.

We will veer on the edge of being imprudent if we cannot run ourselves according to good utility practice. As I said in my opening comments, there could be a period where I can't be accountable for that component of our business. How do we handle that? How do we handle that or do we change what the Public Utilities Board oversight is that you don't have to meet good utility practice?

I really struggle with how we thread the needle of all of these accountabilities if I could not stand up and say that good utility practice looks like compensation that doesn't allow me to compete for talent. I could not stand up and say publicly that that is good utility practice.

S. REID: When you're talking about recruitment of talent, the audit focused on the executive side. It wasn't the person who is out maintaining the lines or things like that; it was the executive component of the employees.

In terms of good utility practice, I'm wondering a little bit about the environment in which you exist in, I guess. You mentioned as well that you have agreements with other utilities and things like that and how important it is to have a consistency there.

I'm just wondering: Most of these utilities you would be comparing yourself would be private sector companies, or would some of them be government entities similar to yourself?

J. WILLIAMS: Thank you for that question.

Just two pieces. I guess in the opening you mentioned that the audit was for just executives. It was actually for all non-union employees.

S. REID: Yeah.

J. WILLIAMS: So if I think about, for example, our front-line supervisors, our front-line supervisors supervise people who have a union contract for their rates. Again, I referenced earlier, if you have a PLT or an electrician and those folks, we are absolutely competing with Newfoundland Power. If you go further outside, you could also be competing with the utilities in the Atlantic provinces, which we see that happening for nurses and that as well with regard to government administration.

Within Newfoundland, obviously, it is a private company that we're competing with. In the Atlantic region, the only other Crown utility is NB Power. As Ms. Collins mentioned earlier, we absolutely use NB Power as a marker, a piece of data for us with regard to how we should be competing.

But just to go a little further. It's not just on the executive that would have been a part of the audit, it was all management employees. Looking at the data – and, again, it's older data, so we get that. There have been changes, certainly, within government and there have been changes, or not many changes, so I think the gap is certainly still there, but it has narrowed a bit because we haven't had much movement within our organization.

There was an aspect I do want to talk a little bit about and it was how some of the data was presented with regard to technical roles and corporate roles. When I think about how could policy affect compensation going forward, and to potentially consider that technical roles could be compensated differently than corporate roles. That is a pretty tough pill to swallow, to be quite frank. I can't accept the idea that we would pay those roles differently when they have been fairly job evaluated as equal.

It goes back to what I said earlier, you value jobs in the organization and you determine what their value is on the basis of the job, not if they're an engineer versus an accountant. Government announced it itself on October 17. I remember the date because it's my mother's birthday. October 17 of last year, government announced pay equity and pay transparency legislation that all public and private sector organizations are going to have to adhere to. It requires supporting fair compensation practices.

When we think about in an organization, when you have jobs that have been fairly evaluated to be of equal value, we all know equal value for equal work and that's the basis of this announced legislation, to

contemplate, which it doesn't say it in the Auditor General's report, but it separates the data. So there's an inference that this is something that we should consider, you will harm women and other underrepresented groups. It is that fundamental because we all know that, generally, technical jobs often have a higher percentage of men. Corporate-type jobs often have a higher percentage of women.

I looked at one pay grade for us in particular, pay grade 6 – and I have the data here, if you'll bear with me – of the technical roles. In pay grade 6, there's a host of technical jobs and there's a host of non-technical jobs, according to that characterization. Of the technical roles, 82 per cent are men; of the corporate roles, 70 per cent are women. If we were to contemplate as a group of folks working on this Crown utility together that we will allow for more competitive salaries for technical roles, guess who's saved? A higher percentage of men. Guess who's harmed? Because if the women's salaries have to be suppressed or match a different salary scale, according to government, women are harmed.

This is something that I feel incredibly – you want to ask about how I feel about certain things, where's my thinking? This is something that I think we should never contemplate, and I actually think government isn't contemplating because of its announced legislation. I think government absolutely is suggesting that this is not where we want to go. The Premier's quote on that press release that day he connected pay equity with gender equality, his quote: "This legislation is a positive step forward for gender equality, and for populations who have experienced discrimination in the workplace such as women."

I have to tell you, the compensation – and this is why, here, in our response back, you did see, obviously, a difference in agreeing to fully align. It goes back to having to be

able to prove that we're – to keep the lights on, we need good utility practice; part of good utility practice is having skilled people; having skilled people means you have appropriate compensation for the sector in which you operate and compete. That is the utility industry. Making sure that you have good compensation means treating everyone fairly as well in meeting legislation that is pending.

I did want to talk about that because it is an area that is very difficult to consider. I actually think government itself recognizes that we shouldn't be considering something like that.

S. REID: Okay, I see my time is expired, but thank you for your answers.

CHAIR: Thank you.

We'll move to the Member for Lake Melville now for some more questions.

P. TRIMPER: Thank you, Chair.

I think I want to pick up on a theme of mine as well, Ms. Williams, and I appreciate your passion and I agree with you completely. But another dimension of it from where I'm sitting here in Labrador is the challenge that this region has had, despite having so many huge projects occur here in recent years, the ability to attract and retain a residential workforce.

I was just going through the notes of the AG a little while ago. In 2017 and 2018, we had 264 contractors at Muskrat Falls: 199 of them were from away, paid location living allowances; 54 of them stayed at the work site camp and received free board and lodging; and 11 were local workers and did not receive an allowance. I'm just putting it out there. I would just like to get your thoughts on it.

And it's not a complete criticism, because I feel NL Hydro – and I know so many of the

capable, strongly skilled work sets that, for example, live in Churchill Falls.

You know, people are committing to an area, they live there; it's a long-time position. They're highly skilled, they're well paid and they're here in Labrador. I feel that's a good thing. It's everything from incentivizing future generations, through to helping us building a community, instead of just playing house to folks from away that come in, work for a while and then leave.

I have those thoughts and I just wanted to throw out, I was just wondering, there was a reference there to Nalcor's Northern allowance and I just wondered: Did that apply to the out-of-town contractors?

J. WILLIAMS: MHA Trimper, you may have stumped me on this. Somebody else here might have that detail.

Ms. Collins or Ms. Borden, do you know? Sorry, I sincerely apologize. I don't have that detail.

P. TRIMPER: Okay. Well, I think my point is – I think it's more of a looking forward comment, but the more we can do to incent our workforce, especially when they've got a long-term commitment. You know, you're trying to attract good employees with these skillsets. If we could incent them to come and stay and live immediately adjacent to a project, instead of flying back and forth, I'm sure that so much of this airfare was just associated with people who – I can't blame them – probably wanted to live in St. John's or Halifax or elsewhere.

Just a little side story, but over 22 years ago, I was at Voisey's Bay during that construction, part of the arrangement that Labrador has secured was that the pick-up points for the construction of that project would be limited to points in Labrador. Unfortunately, part way through, the company threw it out the window, they just said we couldn't find the workers and nobody would come and stay. I get it, and

someday we need to think about how we can, I don't know, provide an atmosphere and incentive for people to commit to a region where the work opportunities are here.

J. WILLIAMS: Thank you for that.

I think it was not so much a question as a thesis and I will probably do the same thing back if that is acceptable.

I see Gail looking at me; I think she wants to jump in as well.

I fully agree and I have a nirvana sort of ideal world where we only have employees. So we would love for that to be the case. We obviously won't always have that to be the case and I mean from front line right on up to somebody like myself. If you had employees, I think, you have an opportunity to connect with what you're doing. It's a value set you connect with.

I very much would love for that to be the situation that we have in the future: less embedded contractors, more employees. I will state the obvious: that means more FTEs and that can be offensive.

So I talked earlier: we are threading a lot of needles and the ultimate goal is that we are able to use expectations of us, by government, the public and the Public Utilities Board, all of those stakeholders, and have the autonomy and the authority to make all the decisions that we should in the running of a utility. But to have less contractors when you need it for the work, and maybe, in some instances, it is cheaper to have an FTE instead, if you can commit to an employee, maybe with a special incentive as you've mentioned, you might actually have more employees, more people who actually live on site who connect with the organization.

We are often being held to certain criteria that could prevent us from making the best decisions possible. I know that's an

uncomfortable statement but I feel compelled to say it in response to your thesis.

Gail, I don't know if there is anything you would add.

G. COLLINS: MHA Trimper, we've certainly had some of those conversations within our organization, as well, of how do we have folks from within the province or within the areas. My mind went to, as you were speaking and as Ms. Williams was speaking, our apprenticeship program.

What we do is we – and I will use the example of a plant operator. But there's real opportunity there for us to focus on recruitment from within specific regions of the province and look to bring in talent and have them paired up with folks who are seasoned and have great experience and then build that talent from within, particularly recognizing some of the recruitment challenges that are faced in the market. That's an area of opportunity as well.

So we have an apprenticeship program that we work with the provincial apprenticeship program body on, but I think there's more opportunity for us to do on that front, as Ms. Williams referenced. At times, we are challenged though in terms of ensuring that we stay within the expectations of work size complement for the organization. Sometimes those can be competing factors when there's real opportunity for us to do more on that front as well.

P. TRIMPER: I believe that NL Hydro has been a partner of the LATP program, Labrador Aboriginal Training Partnership in extending it. I guess my wrap-up thought here is that I think it would be so much more prudent over the long term to see those incentives, to use residents and to encourage others to become resident in the area. I think we could be so much better off.

My final question I have – because I would suspect I'm running out of time – is I think

there was a reference earlier and it was talking about some of the contracts, that you felt some of the compensation aspects of them, while you see them as being out of whack, I think you were reluctant to go after them because they're still existing contracts.

A question came to me and it's one that I deal with – and I think other of my government colleagues – is as a provincial government we also look at communities, for example. Do we incent people to relocate and financially support them, expecting that over a certain period of time there would be a return?

So I guess my question is for these contracts, which you still would like to go at, I am assuming you're doing the exercise, but I just wanted to put that thought out there to see if you had a comment. Is there a point at which you'd say no, maybe we should break these now and we'll get a reckoning done and (inaudible)?

J. WILLIAMS: Sorry, MHA Trimper, are you referring when I mentioned that at Muskrat Falls we had contractors doing an employee's job? Is that what you mentioned? I'm making sure I'm understanding the question.

P. TRIMPER: Well, I think some of my colleagues, for example – I'm not sure if that was it – a lot of the aspects have been around compensation and some things.

I take your point about setting up a compensation package consistent with other utilities. We may not all agree. Maybe, at the end of the day, the public service of this province needs to see a dramatic increase and that's for another debate.

But I guess I'm just asking for those awkward situations where you may be stuck with a contract that you find is out of whack with everything else, are you doing that future, present-worth calculation to see whether I should tear that up and get the reckoning done now with everyone else?

Maybe it has been done; I'm not sure.

J. WILLIAMS: Thank you.

Lisa may end up jumping in here because if it's contractors doing work – and I'll repeat something I said earlier – those ones in Muskrat Falls, we are adamant that is not the long-term solution, that it is a contractor filling those jobs. We are adamant that it is employees. I think we have reposted two or three times and just cannot get – we are offering jobs to people from, like, Saskatchewan was one of the ones that I heard about. We cannot get people to fill these jobs. Making sure we have the ability to administer compensation and, again, according to that the utility requires because, right now, we are not able to make any changes, according to our current direction. So that would be helpful and we're working with government to see what does that future compensation administration look like.

With regard to special incentives for hard to recruit I think is probably where you are going. I think we would be open to the ideas. I think we want to be careful we don't inject pay equity issues that we talked about earlier, but that doesn't mean that you can't have some kind of creative solution longer term. But for those really extreme scenarios, I am nervous about special circumstances because you end up creating this whack-a-mole situation. I am not sure that it is appropriate to have a whole host of special circumstances across the organization because that, again, I think violates pay equity requirements.

Ms. Collins, I don't know if you would add anything else, or Lisa. I'm trying to remember the spirit of the questions; I'm missing the spirit of it.

P. TRIMPER: That is fine. Thank you very much. My time has expired.

I just wanted to say that maybe we should have had this in Labrador today because we don't have a storm pending.

Thank you for your time.

CHAIR: Thank you, Mr. Trimper, MHA for Lake Melville.

I have another couple of questions for myself.

You mentioned a couple times, hard to fill positions: Are those positions like trades or other? Can you – any particulars?

J. WILLIAMS: I will open it up with, it's all kinds of different positions. I think Ms. Collins might have a bit more detail on that. It's not just trades or engineer types. It's other backgrounds as well.

Gail, I don't know if you wanted to add anything.

G. COLLINS: Thank you.

When we look at our turnover stats, we're seeing turnover in a variety of positions. We would see them in our engineering kinds of roles, in our professional roles, in our supervisory roles. Ms. Williams referenced those earlier.

Then, in certain areas of the province, as we've already talked about, we do have some recruitment issues. We've talked about Muskrat Falls, the plant operator role would be an example there that we have had some difficulties in.

But it is across the organization. As I said, it's professional kinds of roles and our engineering and supervisory as well.

CHAIR: Okay, thank you.

Just a couple of more questions from the action plan. To review conflict of interest disclosure processes: no action taken on that one. Can you give us an update?

G. COLLINS: Yes, we have certainly made good progress on the conflict of interest findings from the Office of the Auditor General. We have implemented a process for folks to self-identify any conflicts of interest that they may have. We've enhanced the embeddedness of that within our code of conduct as well. We've addressed it with respect to there are findings as well related to our board of directors and we have a process in place for that as well.

I would say we have very good progress on that front in addressing the concerns that were raised around conflict of interest and the associated requirement for training and having our employees and all those associated with us aware of the requirements there.

CHAIR: Okay, thank you.

Can you give us an update on the periodic third party compensation market analysis?

G. COLLINS: We have gone to market on that piece of work. As Ms. Williams had mentioned earlier, we're in the process of working through that process now of identifying a particular consultant. What we are seeking is a third-party independent consultant to provide us advice on the comparator market for us as a Crown utility. It's our aim to be able to deliver the findings of that engagement early in the winter – early in the new year is probably the time frame that we are looking at, at this point in time.

CHAIR: All right, thank you.

Can we get an updated copy of your action plan?

G. COLLINS: Yes.

CHAIR: Okay, thank you.

I'll now go to the Member for Labrador West to continue some questions.

J. BROWN: Thank you Chair.

Just picking up where I left off with the embedded contractors; given that some of the contractors, I think it was over 100, went into the almost six-year period on their contracts, is this going to continue or has there been term limits been put on contracts for re-evaluation, or are there still embedded contractors operating on these very long extended contracts?

L. HUTCHENS: Thank you for that question.

The contractors that were hired for the Lower Churchill Project were hired through different processes. The project office has closed, so all contractors that we have now are being hired through, what I am going to call, Hydro's processes rather than the project's. Those processes, when we go out to market for various contractors, we may go out for multiple-year terms. However, we will award those terms one year at a time.

J. BROWN: Okay.

L. HUTCHENS: So at the end of each year, we would do a check-in. We're not doing it yet, but once we get the new policy in place, the intention is to do a rejustification to ensure that the contractor is still required and is still justified from cost effectiveness in other ways before we renew the contract. If the provision was there when we went out to market, we would roll that over.

Obviously, if the provision wasn't there the rules of the *Public Procurement Act* would apply which would really come back to the scope that we originally tendered.

J. BROWN: Thank you so much for that.

As pointed out in the Auditor General's report there were some cases of, you know, employees leaving Nalcor and coming back as embedded contractors. Many times of significantly higher salary or pay that they

would receive. Has this practice now been banned at NL Hydro?

G. COLLINS: We do have in place a practice that follows the post-employment standard. We have requirements under the Conflict of Interest Act, so we would have in place a process whereby if there are folks who have been an employee of ours under a one-year period, then there's a requirement for a justification to be put forward as to why that individual would be rehired. It would require a waiver by the CEO to allow for that hiring, and I would say that is very much on an exceptional basis.

J. BROWN: So there is a possibility that an individual – and I know it's probably very slim that an employee could leave Newfoundland and Labrador Hydro, start a company and come back as an embedded contractor in a very short period of time. There is a slim possibility that that could happen, or is that outright banned?

J. WILLIAMS: There is absolutely a possibility. In the last couple of months, I'm going to say I was forced to sign off on one, and I'll give you the example.

It's because there's a part of the organization that is very highly skilled. There are only like two or three people in that group. Of the three people in that group, there was somebody – I don't want to out them. There was a maternity leave that occurred quickly and then another person resigned. The only person that we had left was quite a junior employee. It was imprudent of us not to get the skill set back.

The person who had left had gone to a contractor, because they had chosen that life. I signed off on it and said get another mitigation program in place, but I'm not letting the skills that we need for that part of the organization to go by the wayside.

So, just to tell you, it is a possibility and it is happening but incredibly infrequently. I don't make it easy on the folks and I set

expectations for what's required to happen in that moment. I just want to be really, really clear that it is happening, but incredibly infrequently.

J. BROWN: Yes, and out of that (inaudible), but given that the individual left to go to a contractor, was that made aware in the exit interview with that individual why they were leaving that thing, yet you still had to bring them back as a contractor?

J. WILLIAMS: I don't have the details of that specific exit interview, so I don't know.

J. BROWN: Okay.

There is still a possibility of this happening, unfortunately, within the company. I understand, I come from the mining industry, I know that sometimes people leave or retire and then their skill set is required and they come back on small, short-term contracts. But, at the same time, I'm wondering, there seems to be an issue within the company on – we saw it with the large-scale project. We're kind of seeing bits and pieces of it now within Newfoundland and Labrador Hydro.

Given that, forthcoming, there are going to be some projects that have to happen in this province within the utility, is there any way to mitigate this possibility of it happening, like it did at the scale of Lower Churchill, in the future coming up? Because there's a lot of issue there when it comes to we're paying more to individuals that normally would work inside the company.

J. WILLIAMS: Yes, I fully agree that that risk could occur, if we are not able to make the decisions that we need to be able to make as an autonomous utility. Again, I'm going to be that plainly spoken and deliberate about it. If we're going to spend a lot of money building new assets, if we're not allowed to have more FTEs, guess what we're going to buy? Twice-the-price contractors.

This is the push and pull that we have of all of the various stakeholders. I am not suggesting one stakeholder is more important than the other. It's all of the stakeholders together, taken together as inputs to us that we have to have the ability to make the decisions that are correct for this organization. I do not want to pay a contractor twice what I can pay for an employee. I don't want to do it.

Think about what it does for the employee who's sitting down next to them. That doesn't make them feel very good. They would say, my God, I'm the same background and education, but because from an FTE perspective we can't have more FTEs, you have to go hire a contractor that's worth twice the money. That doesn't help your internal culture either.

We cannot be afraid of using all of the data around cost benefit to allow us to hire the right financial decision. Sometimes we are using FTE numbers and it may not be the right financial decision. We have to have the authority and the autonomy to be able to make those decisions. That is a risk going forward if we don't have that ability.

J. BROWN: Thank you, Ms. Williams, for that.

Right now, within the organization – and because, like I said, we're talking about embedded contractors, we're talking about compensation, we're talking about that – how many vacancies are there in both the union side and the non-union side of Newfoundland and Labrador Hydro right now? How many vacancies are there, in both union and non-union employees?

J. WILLIAMS: I can't tell you the number. I'm hoping Gail can come close. I want to say 50 or 60, but Gail might know the number, or Lisa.

G. COLLINS: I don't know that off the top of my head, but it's certainly something we can get.

J. WILLIAMS: When we're doing our budgeting, we obviously look at what is our typical vacancy rate on an annual basis. It's somewhere between 50 and 100. I'm looking at Lisa and she's saying yes. It's in that general area.

That is typically – Ms. Collins used earlier – the retirements. So if somebody retires, you don't often have somebody to backfill them right away if you need somebody else in that position. There could be several months, half a year or a couple of weeks before you get that filled. So there are the retirements but there are also the unplanned ones. All of that together generally results in about 50 to 100 at any point in time that we're unfilled on.

J. BROWN: Thank you so much.

I only have a minute left, but I have one last question there. Given that your position, as a bit of autonomy for Newfoundland and Labrador Hydro, to try to mitigate the embedded contractor issue is tied to the compensation issue – given all that, is there a way forward you see on finding middle ground between what we're expecting here from the Treasury Board point of view and the PAC's point of view and what the Auditor General said?

And given the world of the utility world, what would be the middle ground that you think we could find here? Or what is your opinion that we can get to that point where as a prudent utility, accountable to the public, accountable to the Public Accounts Committee – is that fine or do you think there is still going to be some head-butting there?

J. WILLIAMS: You tell me.

I think it is very healthy to know you always have to measure up, getting a 100 per cent grade, 100 per cent of the time – do you know what I mean? You always need to know that you need to get better and people

are expecting more and more of you all the time.

I think it is normal and expected that we will head-butt on this issue and lots of issues for a very long time, and that's okay. As long as we're doing it respectfully and with the facts and the realities as opposed to opinion. I totally understand and I do not take away from what elected officials face with regard to expectations of their constituents, not at all. I don't envy that.

I think that this is a challenge probably in any Crown organization and Crown utility certainly across Canada. The society that we're in today, it is harder and harder to get through to the public. We are very much focused on opinions versus facts in the public.

So I guess, MHA Brown, it is tough to say that there is going to be a happy medium ground that you're going to be perfectly happy with and that we'll be perfectly happy with. I think we'll have to continue to demonstrate that we are listening to the inputs of government, elected officials, the public and all of those parties. When we have missed the mark, certainly on how we communicate or the decisions that we're making, especially using audit as an example, we have to incorporate that and do better, go forward.

I don't think it's a perfect answer to your question specifically about compensation. I guess I am okay with knowing that we're not perfect all the time for you. I don't want to lower my standards and say, well, I know I'm not going to meet their standards all the time, but that does not mean I'm not going to continue to try. But we are going to continue to try to meet the expectations.

J. BROWN: I appreciate your answer. Thank you so much and thank you to your team for answering my questions.

I'm done, Chair. Thank you.

CHAIR: Okay thank you.

I do believe we're finished with the question part of the hearing. So, in concluding, I would now ask whether witnesses have any closing remarks.

J. WILLIAMS: I didn't really have any closing remarks, but I'm sure I can find something to say.

At the risk of reiterating everything I said at the beginning, but I do want to just sort of mention a few of those points again. The audit was very helpful. The Auditor General, and I know her predecessors as well, were very patient with us. I hope they saw our team try to be as forthcoming with all the information as we could. It's a beast of an organization. It's huge. I love it. I will say it's a beast. It sounds like I don't like it; I love it there. It's an incredibly rewarding place to work with all of its challenges.

We were okay, obviously, having the audit and I'm very grateful that we were able to have this discussion today on areas that we align and, hopefully, you see that we are trying really hard to meet the expectations of the public. To reiterate – there are a couple of other things – I really hope that folks have a better understanding of what it means to be a utility in this province, as well as being a Crown utility. Then, that we are different, certainly from the audit period and I would suggest even different in the last couple of years and will be, go forward.

It really is – and probably some of things that MHA Trimper was referring to. The opportunity for this province, certainly in the electricity sector, go forward, is so exciting. I'm trying to be that positive view, go forward, without the rose-coloured glasses, even though I get accused of that sometimes.

It's an incredibly exciting future here. We have assets that other jurisdictions are jealous of, 100 per cent. To work in this industry now, in a Crown that is delivering

that value back to the province, there's no better organization in the province to work for. That is a culture, I think, a feeling that we all share and we're really working on making sure that our employees feel that pride themselves.

It can be tough some days when you're the headline every second day, and it doesn't always feel like that for folks when they go into their communities, so we're working really hard to meet the expectations and to make sure that our employees feel good about where they work.

So thank you very much for your time.

CHAIR: Thank you.

I'll ask the Auditor General and her officials if they have any comments.

D. HANRAHAN: I just want to say thank you.

I appreciate the Public Accounts Committee holding this hearing with respect to our work. Thank you very much to NL Hydro. I love a beast, too. Maybe that's why it attracts us, I don't know. But we certainly appreciated your co-operation through this audit. It was a long period of time. I know, particularly, for your Internal Audit group, there was an awful lot of interaction and we really appreciated all of that.

I think we illustrated today the power of audit and the value that comes from having healthy discussions and seeing the response to recommendations. For us, it's very positive and very much improves accountability in the public service and we're really happy to see that.

So we just want to thank you, both sides, for the opportunity.

CHAIR: Okay, thank you.

So in closing, on behalf of the Committee, I extend thanks to the Auditor General,

Denise Hanrahan, and her team for their support to the Committee and especially attending today.

I also extend thanks, as Chair, to all Committee Members of the Public Accounts for their dedication and commitment to our important work.

Lastly, on behalf of the Committee, I extend our appreciation to the witnesses from Newfoundland and Labrador Hydro for being in attendance today and their testimony today.

Moving forward, our Committee will continue its follow-up on matters raised in the Auditor General's reports. The Committee expects and looks forward to the co-operation of Newfoundland and Labrador Hydro as we conduct work toward our mandate of ensuring accountability on behalf of the Legislature and the people of Newfoundland and Labrador.

I now call for adjournment.

The hon. the Member for Labrador West, Jordan Brown.

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: Meeting adjourned.

Thank you.

On motion, the Committee adjourned.