

1 **Q. What comparator group(s) does Newfoundland Power consider in assessing whether**  
2 **its wages, salaries and benefits are reasonable for:**

- 3  
4 a) **Executive;**  
5 b) **Non-executive Senior Management;**  
6 c) **Management;**  
7 d) **Unionized;**  
8

9 **and please describe in detail the criteria used in the selection of the comparator**  
10 **group(s) and whether there are different groups used for various positions or**  
11 **classifications.**

12  
13 A. *Executive*

14 To establish annual executive base salaries, the Company uses the broad Canadian  
15 Commercial Industrial executive market as the relevant comparator group. The Company's  
16 policy is to establish salaries by reference to the median of this market.<sup>1</sup> The forecast  
17 *median* of this market establishes the Company's *salary policy* for executives. The typical  
18 salary range is 80% to 115% of the salary policy. Actual salaries are set within this range  
19 according to the incumbent's experience or progression and performance.  
20

21 Each year the Hay Group Limited (the "Hay Group") provides the Company with its  
22 estimate of executive salary policy medians for the ensuing year. See Attachment A of the  
23 response to Request for Information CA-NP-199 for Hay Group's estimate of salary policy  
24 for executive for 2012 to 2015, respectively.  
25

26 Newfoundland Power's Board of Directors establishes executives' compensation,  
27 considering relevant individual factors, on the basis of the salary policy recommendations  
28 provided in these reviews.  
29

30 *Directors*

31 To establish annual Director (formerly Manager) base salaries, the Company uses the broad  
32 Canadian Commercial Industrial non-executive market as the relevant comparator group.  
33 The Company's policy is to establish salaries by reference to the median of this market.<sup>1</sup>  
34 The forecast *median* of this market establishes the Company's *salary policy* for Directors.  
35 The typical salary range is 80% to 115% of the salary policy. Actual salaries are set within  
36 this range according to the incumbent's experience or progression and performance.  
37 Each year the Hay Group provides the Company with its estimate of Director salary policy  
38 medians for the ensuing year. See Attachment B of the response to Request for  
39 Information CA-NP-199 for Hay Group's estimate of salary policy for Directors for 2012  
40 to 2015, respectively.

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<sup>1</sup> The median of the market is that point at which 50% of salary observations are higher and 50% of salary observations are lower. It is also commonly referred to as the 50<sup>th</sup> percentile.

1 Newfoundland Power's Executive establishes the Directors' compensation, considering  
2 relevant individual factors, on the basis of the salary policy recommendations indicated in  
3 these reviews.  
4

5 *Managerial Employees*

6 Newfoundland Power's compensation design differs for non-unionized and unionized  
7 employees. Non-union (managerial) compensation is determined with reference to  
8 external markets comparison and individual performance considerations. Wages for  
9 unionized employees, on the other hand, are established through a collective bargaining  
10 process.

11  
12 Newfoundland Power's pay-for-performance managerial compensation system is  
13 designed to be competitive with reference to relevant labour markets and to encourage  
14 and reward employees based on their individual performance. Compensation levels for  
15 managerial employees below the level of Director are designed to be competitive with the  
16 median of salaries paid by Atlantic Canadian utility companies. The typical salary range  
17 is 80% to 110% of the salary policy. Actual salaries are set within this range according to  
18 the incumbent's experience or progression and performance.  
19

20 Newfoundland Power used the services of the Hay Group to establish its salary policies  
21 and total cash compensation for managerial employees in 2013. Each year,  
22 Newfoundland Power also utilizes surveys and reports from other sources in determining  
23 the market movement of its salary policies<sup>2</sup>.  
24

25 *Union Employees*

26 Newfoundland Power has two collective agreements governing its union employees  
27 represented by the International Brotherhood of Electrical Workers, Local 1620 (the  
28 "IBEW"). Both collective agreements are effective from October 1<sup>st</sup>, 2014 to September  
29 30<sup>th</sup>, 2017. During the collective bargaining process with the IBEW, the Company aims  
30 to be competitive with the Atlantic Canadian Utility companies.  
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32 Please refer to the Company's response to PUB-NP-004 for the Company's most recent  
33 collective agreements.

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<sup>2</sup> See response to Request for Information CA-NP-205 for information relating to other sources used by Newfoundland Power to assist in reviewing the reasonableness of its managerial compensation.