

1 **Q. Taking all types of compensation paid to Executives and Directors into account, how**
2 **does each position’s compensation compare to the market median applicable for**
3 **2014, 2015 and 2016?**

4
5 **A. General**

6
7 Compensation paid to Newfoundland Power’s Executives and Directors includes salaries,
8 short-term incentive (“STI”) payments, long-term incentives, and non-cash benefits.
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10 Long-term incentives paid to Newfoundland Power’s Executives and Directors include
11 options to purchase common shares of Fortis Inc. (“Fortis”) and performance and
12 restricted share units which reflect the value of the common shares of Fortis. The cost of
13 all long-term incentives paid to Newfoundland Power’s Executives and Directors are
14 treated as non-regulated expenses and are not included in the setting of customer rates.
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16 Newfoundland Power does not perform annual comparisons of non-cash benefits to a
17 market median for each Executive and Director. So, annual comparisons of non-cash
18 benefits to a market median are not available. However, such benefits have not been
19 enhanced or improved since 2010.¹
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21 **Salaries**

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23 Newfoundland Power’s Executive and Director salary policy targets the median of the
24 Canadian Commercial Industrial market.
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26 The response to Request for Information CA-NP-332 shows the 2015 and 2016 salaries
27 for Newfoundland Power’s Executives and Directors and includes the compa-ratio which
28 indicates the relationship between actual salary and salary policy. Differences between
29 actual salaries and salary policy provides a comparison to the market median.

¹ See the response to Request for Information CA-NP-202.

1 Table 1 shows the 2014 salary, salary policy and compa-ratio for Executive and Director
2 group members by position.

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Table 1
2014 Salary, Salary Policy and Compa-ratio²

Executives	Salary	Salary Policy³	Compa-ratio⁴
President & CEO	\$440,000	\$401,300	109.6%
VP Customer Operations & Engineering	\$288,000	\$268,700	107.2%
VP Finance & CFO	\$262,000	\$247,100	106.0%
VP Regulation & Planning	\$262,000	\$247,100	106.0%
Directors⁵			
Director St. John's Region	\$165,000	\$178,500	92.4%
Director Eastern Region	\$173,500	\$162,500	106.8%
Director Western Region	\$160,000	\$162,500	98.5%
Director Engineering	\$173,500	\$162,500	106.8%
Director Operations	\$163,400	\$162,500	100.6%
Director Customer Relations & Information Technology	\$163,400	\$155,300	105.2%
Director Human Resources & Corporate Affairs	\$161,700	\$150,400	107.5%
Director Revenue & Supply	\$147,300	\$147,300	100.0%
Director Finance	\$139,500	\$142,900	97.6%
Director Corporate Relations & Communications	\$155,000	\$142,900	108.5%

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6 **Short-Term Incentives**

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8 Newfoundland Power's Executive and Director STI practice targets the median of the
9 Canadian Commercial Industrial market.

² Executive and Director group members by position on January 1st, 2014.

³ Salary policy based on advice of compensation consultant Hay Group which represents the estimated 2014 market actual salary median.

⁴ Compa-ratio is calculated by dividing the employee's salary by the salary policy.

⁵ In order to bring Newfoundland Power's leadership job titles in line with those in the utility industry and broader business community, the title of Manager was changed to Director effective February 2nd, 2015.

1 The STI target percentage payouts for Newfoundland Power’s Executives and Directors
2 is provided in the response to Request for Information CA-NP-333. Historical
3 information for the years 2010 to 2016F can be found in the response to Request for
4 Information PUB-NP-078.

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6 In Order No. P.U. 19 (2003), the Board directed that any Newfoundland Power STI
7 payouts in excess of 100% of target would be the responsibility of the Company’s
8 shareholder, Fortis Inc., and be charged to non-regulated expense. The effect of this
9 direction is that Newfoundland Power’s shareholder funds any actual STI payout that
10 exceeds the target STI incentive payout.

11
12 Newfoundland Power’s target STI incentives for Executives and Directors reflect the
13 median of the Canadian Commercial Industrial market.

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15 **Conclusion**

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17 Newfoundland Power’s Executive and Director compensation practices target the median
18 of the Canadian Commercial Industrial market. This target has been consistently applied
19 by the Company since 1997 and examined by the Board on a number of occasions.

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21 The continued appropriateness of the Company using the Canadian Commercial
22 Industrial market to establish compensation for Executives and Directors is considered in
23 the responses to Requests for Information PUB-NP-074 and PUB-NP-075.