

1 **Q. Please provide for each group the average annual wage/salary increase given or**
 2 **forecast for union, non-union and executive employees for the period 2013-2016F.**

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 4 **A. A. General**

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

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 11 **B. Unionized Employees**

12 The current collective agreements for the Craft and Clerical bargaining units were signed
 13 in 2015, and are effective for the period October 1, 2014 to September 30, 2017. Table 1
 14 presents the schedule of negotiated wage increases provided in those agreements and the
 15 previous agreement. In addition to a base increase, some employees are entitled to
 16 progression increases. The average progression increase for unionized employees is also
 17 detailed in Table 1.
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Table 1
Union Employees
Wage Increases 2013 – 2016F
 (%)

Effective Date	Base Increase ¹	Progression Increase
January 1, 2013	4.0	0.34
January 1, 2014	4.0	0.35
October 1, 2014	3.0	0.68
January 1, 2016	2.5	0.77

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 22 **C. Managerial Employees**

23 Newfoundland Power’s managerial compensation system is designed to be competitive
 24 with reference to relevant labour markets. Salary increases are dependent on changes in
 25 the employment market, as well as on individual performance. Salary changes are
 26 normally effective January 1 annually.

¹ In addition to base increases outlined above, an additional Lead Hand equity adjustment of \$0.25 and \$0.18 were applied to Lead Hand hourly wages on January 1, 2013 and January 1, 2014 respectfully. A special adjustment was made to the Power System Operator and Power System Operator Lead Hand hourly wages of 1.5% as a result of an Atlantic Canada utility salary market review conducted in 2015.

1 Table 2 provides the base salary increases and progression for the managerial employee
2 group for the period 2013 – 2016F. In addition to a base increase, some management
3 employees are entitled to progression or merit increases. The average progression/merit
4 increase for unionized employees is detailed in Table 2.
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Table 2
Managerial Employees
Salary Increases 2013 – 2016F
(%)

Year	Base Increase	Progression Increase
2013	3.5	0.77
2014	3.0	0.78
2015	2.8	0.84
2016F	2.5	0.67

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9 **D. Executives and Directors**

10 The Company sets its Director and Executive group salary policy to be competitive
11 against the median of salary paid by Canadian Commercial Industrial companies.
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13 Table 3 provides the base salary increase and progression increase for the Executive and
14 Directors for the period 2013 to 2016F.
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Table 3
Executive and Directors
Salary Increases 2013 – 2016F
(%)

Year	Base Increase Executive & Directors	Progression Increase	
		Executive	Directors
2013	2.9	0	1.2 ²
2014	2.5	3.1 ³	0.3 ⁴
2015	2.6	5.3 ³	1.2 ⁴
2016F	2.5	0.0	0.0

² Reflects a new Director position.

³ Reflects a change in CEO and Vice-President position.

⁴ Reflects 2 new Directors.

- 1 Newfoundland Power's actual labour cost is expected to increase at an average annual
- 2 rate of 1.4%. This is significantly below annual wage/salary increases reflecting
- 3 efficiency and productive gains.