

1 **Q. Further to PUB-NP-007, explain the specific criteria and process used to determine**  
2 **the annual cash compensation paid each year 2013 to 2015 to managerial employees**  
3 **who do not participate in the STI plan.**  
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5 A. For Newfoundland Power's managerial employees who do not participate in the STI  
6 plan, annual cash compensation is determined through a pay-for-performance  
7 compensation system.<sup>1</sup> The pay-for-performance system is designed to encourage and  
8 reward employees based on their individual performance including technical competency,  
9 execution and personal development. The annual cash compensation, or merit pay, is  
10 paid in the year to which the recognition of performance is attributable.

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12 The basis of Newfoundland Power's managerial pay-for-performance compensation  
13 system is the annual performance review process. Each year, supervisors meet with  
14 employees throughout the year to evaluate and discuss the employee's performance.  
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16 In the fall of each year, performance feedback and suggested merit pay are submitted to  
17 the Company's human resources department for each managerial employee. Employee  
18 performance is assessed within a range from performance which exceeds expectations to  
19 that which needs improvement. These ratings are used to determine the level of salary  
20 progression and whether cash compensation is merited for each employee.  
21

22 Merit pay is also considered if an employee has worked excessive hours outside of  
23 normal working hours and not received compensation. This aspect of cash compensation  
24 requires specific justification on a case-by-case basis.  
25

26 Managerial employee performance and merit pay recommendations are reviewed by  
27 Newfoundland Power's human resources department, senior management and executive.  
28 In November or December of each year, the results of the review, including salary  
29 progression and any cash compensation, are communicated to each employee by their  
30 direct supervisor.

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<sup>1</sup> The managerial pay-for-performance system also includes component for salary progression and market movement.