

1 **Q. Please provide the details of all Newfoundland Power incentive or bonus plans**  
 2 **including the eligible participants, the criteria for payment and the amounts paid in**  
 3 **2016-2018F, inclusive.**

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 5 **A. A. Executive and Directors**

6 Only Newfoundland Power’s Executives and Directors participate in the Company’s  
 7 Short-term Incentive (“STI”) plan. The underlying rationale for the STI plan is to incent  
 8 senior management performance by making a significant portion of total compensation  
 9 dependent on performance.

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 11 ***Short-term Incentive Plan***

12 The STI plan provides for annual cash payments to Executives and Directors, with the  
 13 amount of each payment determined through an annual assessment of both corporate and  
 14 individual performance, based on a percentage of salary. Before any payout occurs, the  
 15 Company’s return on equity must reach a minimum threshold level.

16  
 17 Payouts are established as percentages of base salary (“target percentage payouts”). The  
 18 current target percentage payouts are (i) 50% of base salary for the President & Chief  
 19 Executive Officer; (ii) 35% or 40% of base salary for other Executives; and (iii) 15% of  
 20 base salary for Directors.

21  
 22 Based on performance, payouts may exceed target to a maximum of 2 times the target  
 23 percentage payout. The Board of Directors review and approve all payouts for the  
 24 Executive and the Executive review and approve all payouts for the Directors. In  
 25 accordance with the Board’s direction in Order No. P.U. 19 (2003), STI payouts in excess  
 26 of 1 times the target percentage payouts are charged to non-regulated expenses and in  
 27 accordance with Order No P.U. 18 (2016), 50% of the costs of the STI components for  
 28 earnings and regulatory performance are also charged to non-regulated expenses.

29  
 30 The relative weighting of corporate and individual performance targets reflects the ability  
 31 of individual employees to influence corporate performance, as is shown in Table 1.

**Table 1**  
**Relative Weightings of Corporate and Individual Targets (%)**

	<b>Corporate</b>	<b>Individual</b>
President & Chief Executive Officer	70	30
Vice-Presidents	50	50
Directors	50	50

**Corporate Performance Measures**

Assessments of corporate performance are based on the Company's performance relative to weighted targets in respect of financial performance, safety, system reliability, customer service and regulatory performance. The targets and weightings are modified annually to reflect changes in corporate focus and priority, and to encourage continual improvement.

A brief review of current corporate performance measures follows:

**Controllable Operating Cost per Customer**

This measure is based on budgeted controllable operating expenses. Because some costs are beyond the short-term control of management, inter-company charges, PUB assessments, severances and regulatory amortizations are excluded from the target.

**Earnings**

This measure represents corporate earnings as per the year-end audited financial statements. The target is based on the Company's earnings budgeted for the year.

**Safety (All Injury Frequency Rate)**

This measure is the number of preventable injuries per 200,000 hours of work and is a combination of both the number of preventable medical aid and lost time injuries.<sup>1</sup>

**Duration of Outages (SAIDI)**

This measure represents the reliability of the power system in terms of the duration of outages experienced by customers.

**Customer Satisfaction**

This measure represents Newfoundland Power's customer satisfaction rating which is obtained through independently conducted quarterly surveys of customers with respect to the Company's service.

**Regulatory Performance**

This measure is dependent on regulatory activity for the year. The quality, timeliness and effectiveness of the regulatory filings are included in the assessment of regulatory performance.

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<sup>1</sup> A preventable injury must meet the following 3 criteria:

- (i) the injury must meet the Canadian Electricity Association definition for a Medical Aid Injury or Lost Time Injury;
- (ii) there must be a specific incident that occurred that can be identified as the cause of the injury; and
- (iii) the investigation of the incident must determine that there is a reasonable preventive measure that could have been in place to prevent occurrence of the injury.

**Individual Performance Measures**

In addition to corporate measures, the STI plan incorporates measures that are intended to encourage improvements in individual performance. These measures are aligned with the specific focus of the Executive or Director, and are designed to promote leadership in enhancing employee and corporate performance in specific areas of responsibility, thereby contributing to the overall performance of the Company. For example, an Executive or Director with responsibility for the Company’s capital program may have a target based on performance in that area.

Individual measures and weightings are adjusted annually to reflect corporate priorities.

**STI Payouts**

Table 2 provides total STI payouts for Executives and Directors and the maximum STI payable for the period 2016 to forecast 2018.

**Table 2**  
**STI Payouts 2016 to 2018F**  
**(\$000s)**

Year	STI Payout <sup>2</sup>	Maximum Payable <sup>3</sup>
2016	996	1,378
2017	1,080	1,587
2018F	735 <sup>4</sup>	1,471

**B. Managerial Employees**

Newfoundland Power’s other managerial employees do not participate in the Company’s STI plan. These employees are compensated through a pay-for-performance compensation system which includes both a salary progression component and an annual cash compensation component.

The Company’s pay-for-performance system is designed to encourage and reward employees based on their individual performance including technical competency, execution and self-development. The annual cash compensation is paid in the year to which the recognition of performance is attributable.

<sup>2</sup> The amounts included in STI Payout reflect both regulated and non-regulated amounts. For 2018 forecast, the non-regulated amount is based on 50% of the components for earnings and regulatory performance, as the forecast payout is based on achieving 100% of the targets.

<sup>3</sup> Based on a maximum of 2 times the target percentage payout for Executives and 2 times the target percentage payout for Directors.

<sup>4</sup> Based on achieving 100% of targets.

1           **Pay-for-Performance**  
2           Table 3 provides the total annual cash compensation under the pay-for-performance  
3           system for managerial employees and the annual cash compensation as a percentage of  
4           managerial employees’ base salaries for the period 2016 to forecast 2018.

**Table 3**  
**Annual Pay-for-Performance Payouts and**  
**Payouts as a Percentage of Base Salaries**  
**2016 to 2018F**

Year	Payout (\$000s)	Payout as % of Base Salaries
2016	853	3.81
2017	867	3.86
2018F	882	3.86

5           **C.     Unionized Employees**  
6           Newfoundland Power’s unionized employees are not eligible to participate in the  
7           Company’s STI plan or the Company’s pay-for-performance compensation system.