

Q. Please compare the wage increases for NP's unionized staff since 2000 to 2010 (f) as compared to NP's other staff groups, broken down by level within management of the company.

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

Unionized Employees

The current collective agreements for the Clerical and Craft bargaining units were signed on March 20, 2009 and April 24, 2009 respectively, and are effective for the period October 1, 2008 to September 30, 2011.

Table 1 presents the schedule of negotiated wage increases provided for in those agreements and the previous agreements.

Table 1
Union Increases 2000 - 2011
(%)

Effective Date	Increase¹
January 1, 2000	3.0
January 1, 2001	2.0
January 1, 2002	3.0
January 1, 2003	4.0
October 1, 2003	3.0
January 1, 2005	3.0
January 1, 2006	3.0
January 1, 2007	3.0
January 1, 2008	4.0
October 1, 2008	3.0
January 1, 2010	3.0
January 1, 2011	3.5

¹ In addition to base increases outlined above, an additional adjustment of 2% was applied to hourly wages in the skilled trade occupations on January 1, 2000, October 1, 2003 and January 1, 2005. These adjustments were negotiated to bring the Company's wage levels in line with the Atlantic Canada market for these skilled trades. Additional adjustments of thirty (30) cents on October 1, 2008; seventy (70) cents on July 1, 2009; sixty-one (61) cents on January 1, 2010 and forty-six (46) cents on January 1, 2011 were applied to hourly wages in the skilled trade occupations in the recent Craft contract.

Engineering, Professional and other Managerial Employees

Newfoundland Power's pay-for-performance compensation system is designed to encourage and reward employees based on their individual performance and to be competitive with reference to relevant labour markets. Compensation levels for engineering, professional and other managerial employees below the level of Manager are designed to be competitive with the median of salaries paid by Atlantic Canadian utility companies. Salary increases are dependent on changes in this employment market, as well as on individual performance. Salary changes are normally effective January 1.

Table 2 provides the average salary increase expressed as a percentage for the engineering, professional and managerial employee group for the period 2000 to 2010F.

Table 2
Engineering, Professional and Managerial Employee
Salary Increases¹ 2000 – 2010F
(%)

Year	Average Base Increase²
2000	3.6
2001	4.6
2002	4.0
2003	4.2
2004	3.3
2005	3.1
2006	3.6
2007	3.6
2008	4.4
2009	4.0
2010F ³	3.0

In addition to an annual fall compensation review, the Company may conduct special reviews during the year where equity issues arise. On July 1, 2009, an adjustment of 2% increase on base salary was provided to management employees classified in the Engineering Technology roles to maintain their position relative to the market.

¹ Base increases are effective January 1.

² Percentage increase is calculated based on total year-end salaries.

³ Newfoundland Power bases its managerial compensation design on market data. Market projections are not yet available for 2010. A 3% increase is budgeted for this group for 2010.

Executives and Managers

The Company sets its Manager and Executive Group salary policy and incentive targets to be competitive against the median of salaries paid by Canadian Commercial Industrial companies. Actual short-term incentive (STI) compensation payouts are dependent on both corporate and individual performance components.

STI performance targets reflect the influence that individual Executives and Managers can have on overall corporate performance as well as on specific corporate measures, with targets for Executives weighted more heavily towards achievement of overall corporate objectives. Incentive compensation represents a larger portion of overall compensation for these two groups, reflecting the relative ability of Executives and Managers to influence corporate performance.

Year over year changes in Executive and Managers salary and STI are outlined in the Company's response to Request for Information CA-NP-127.