

1 Q. In the above reply, Mercer's Memo of 14 November 2013 states that it is not  
2 comfortable with the release of any of Mercer's reports, correspondences or related  
3 work. Would Mercer please confirm that in other cases when its client is a regulated  
4 entity that such material has been provided to the regulator and proper parties, and  
5 describe what, if any, conditions have been placed upon its being made available.  
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8 A. In situations where Mercer's clients have requested a report for regulatory  
9 proceedings and whereby disclosing that such a report would be available to the  
10 public, Mercer will prepare a summary report which extracts the useful information  
11 but does not disclose third party, confidential or proprietary information.  
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13 The Mercer reports in question above already exist and contain information which  
14 have been supplied to Hydro on the basis that it is subject to confidentiality  
15 agreements between Mercer, Hydro, and other clients. Hydro has provided the  
16 relevant information regarding its salary policy and compensation reviews in a form  
17 respectful of its confidentiality agreements with Mercer and third parties in CA-NLH-  
18 105.  
19

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20 Mercer has consented to release excerpts from its report to support the information  
21 provided in CA-NLH-105 and PUB-NLH-029. The excerpt is provided in CA-NLH-266  
22 Attachment 1. Mercer can, upon request and in the future, prepare summary  
23 reports compliant with confidentiality agreements and appropriate for public  
24 disclosure.

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11 February 2011

# **Nalcor Energy** Non-Union Compensation Review





## Introduction

- Mercer has been asked by Nalcor Energy (“Nalcor”) to provide advice on non-union compensation including:
  - Establishing compensation philosophy
  - Establishing position matches for 78 non-executive, non-union positions
  - Comparator group selection
  - Assessing the competitiveness of base salary, total cash compensation (salary plus short-term incentives) and total direct compensation (total cash plus the annualized value of long-term incentives) for each non-union role and each non-union salary grade
    - Recommending short- and long-term incentive practices in light of prevailing practices in the market
  - Recommending a non-union pay line or pay lines and comparing to existing pay line
  - Researching practices in the utility sector and recommending an approach to establish and maintain front-line supervisor pay differentials
  - Recommending changes where warranted
  
- This report presents our findings and recommendations



## Summary of Findings and Recommendations – Head Office, Bull Arm, Churchill, Hydro and Lower Churchill Divisions Overview

- Given that the majority of Nalcor's business units and operations are aligned with the utilities industry, the most relevant market data for head office employees is utilities data
- Operations in the Churchill, Lower Churchill and Hydro divisions are also primarily utilities
- While operations in Bull Arm are not specifically aligned with the utilities industry, many of the senior employees (i.e., grades Hay-10 and above) are transfers from the other utilities-related divisions
- For job grades Hay-01 to Hay-09, positions will not typically require a significant amount of utilities specialization, so the proposed salary structure was based on comparisons to general industry
  - For positions where employees may reasonably be recruited from within Atlantic Canada, we made comparisons to both Atlantic and Canada-wide general industry data
  - The proposed salary grades for Hay-01 to Hay-09 are very similar to the current salary grades
  - For the salary grades Hay-05 to Hay-09 (note that Hay-01 to Hay-04 are not in use):
    - The proposed range midpoints are 5% to 7% below the current range maximums and the proposed range maximums are 3% to 5% above the current range maximums
  - The market data does not support providing short-term or long-term incentives at these levels



## Summary of Findings and Recommendations – Head Office, Bull Arm, Churchill, Hydro and Lower Churchill Divisions Overview (cont'd)

- For job grades Hay-10 to Hay-18, utilities-specific skill sets will be more typically required, so the salary structure and proposed incentive ranges were based on comparisons to the utilities sector
  - We are proposing increasing the spread between the range minimums and maximums to approximately 40% to facilitate salary administration within the range
  - The proposed range midpoints are 7% to 22% above the current range maximums and the proposed range maximums are 25% to 43% above the current range maximums
  - Proposed short-term incentives vary from 0% to 20%
  - The market data does not support providing long-term incentives to these divisions
- Note that Nalcor should consider providing additional compensation to employees working in remote locations
  - Remote location compensation practices may need to be researched to establish such a policy
- Note that we have applied geographic differentials to national and Alberta-based data for positions with market median salaries below \$120,000 to estimate Atlantic Canadian data



## Summary of Findings and Recommendations – Head Office, Bull Arm, Churchill, Hydro and Lower Churchill Divisions Proposed Structure & Incentives

- We suggest the following compensation structure for the utilities focused divisions:

Pay Grade	Current Grade Maximum	Proposed Salary Grades			Proposed Incentives	
		Minimum	Midpoint	Maximum	Target STI	Target LTI
Hay-01	35,200	27,100	30,500	33,900	0%	0%
Hay-02	37,650	29,700	33,400	37,100	0%	0%
Hay-03	40,250	32,500	36,600	40,700	0%	0%
Hay-04	43,400	35,700	40,200	44,700	0%	0%
Hay-05	47,050	39,100	44,000	48,900	0%	0%
Hay-06	50,950	42,800	48,200	53,600	0%	0%
Hay-07	55,900	47,000	52,900	58,800	0%	0%
Hay-08	61,300	51,600	58,000	64,400	0%	0%
Hay-09	67,500	56,500	63,500	70,500	0%	0%
Hay-10	72,300	64,200	77,400	90,600	0%	0%
Hay-11	77,550	71,200	85,800	100,400	0%	0%
Hay-12	83,650	79,000	95,200	111,400	0%	0%
Hay-13	90,650	87,600	105,600	123,600	10%	0%
Hay-14	98,750	97,200	117,100	137,000	15%	0%
Hay-15	108,150	107,800	129,900	152,000	15%	0%
Hay-16	118,600	119,600	144,100	168,600	20%	0%
Hay-17	131,000	132,600	159,800	187,000	20%	0%
Hay-18	144,950	147,200	177,300	207,400	20%	0%

(1) For all levels, current target STI is 6%, current maximum STI is 9%

(2) LTI is not currently offered to any employees

- The competitiveness of this structure is shown on the next 3 slides, covering: base salary, total cash compensation and total direct compensation, respectively
- Note that while this structure is generally competitive with the market, there are a number of positions that will not be paid competitively
  - Nalcor may wish to assess whether all of these positions are evaluated appropriately or need to administered in a different level
- Grades Hay-14 and below reflect rates adjusted for Atlantic Canada