

1 Q. **2013 General Rate Application, Workforce**

2 Did Hydro have external expertise assist with the review of salaries and wages in
3 the period 2007 to 2013? If yes, provide a copy of each report completed for Hydro.
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6 A. Hydro has used external expertise to assist with the review of salaries and wages.
7

8 Hydro participates in annual compensation planning surveys and in comprehensive
9 or specialized surveys as it deems necessary due to challenges or increasing
10 pressure arising in the labour market. Hydro uses multiple sources in its review of
11 compensation trends and strategies. Typically, these include Mercer *Total*
12 *Compensation Survey*; HayGroup *Planning Update*; Conference Board of Canada
13 *Planning Outlook*; Towers Watson *Energy Compensation Survey*, and Aon Hewitt
14 *Canada Energy Sector*. In addition, Hydro will complete its own review of salaries
15 and wages specific to the Atlantic Canada utilities and use appropriate economic
16 indicators such as GDP and CPI as well as special reports or information from
17 industry sources such as the Canadian Electricity Association to support its decisions
18 on setting salary policy each year. These reports are available to participating
19 members and/or can be purchased and are not specifically completed for Hydro.
20

21 From time to time, Hydro engages an external consultant to complete specialized
22 analysis or a full comprehensive review of its compensation. Such a review is
23 necessary approximately every five years to ensure Hydro's compensation design is
24 consistent with best practice and competitive with appropriate comparators.
25

26 During the period of 2007 to 2013, only one customized review was conducted by
27 an external consultant affecting Hydro's non-union salary policy. Mercer (Hydro's

1 compensation consultant) was engaged in late 2010 to complete a full
2 comprehensive review of salary policies and structures relating to non-union
3 compensation. A comprehensive review was required at this time due to increased
4 labour constraints regarding the availability and ability to attract talent and internal
5 pressures arising from increases in retirements and erosion between union and
6 non-union salaries. CA-NLH-105 outlines the salary policy changes that were
7 implemented in 2012 as a result of this review.

8
9 Mercer was also engaged to complete an Executive Compensation Review during
10 the same period. While changes were recommended from this review to increase
11 total compensation specific to implementing long-term incentives, no changes were
12 made to Hydro's existing executive pay policy.

13
14 As part of its business, Mercer provides customized analysis on a pay-for-service
15 basis which is confidential and not publically disclosed. A Non-Disclosure
16 Agreement with Mercer outlines intended use of such information, expectations for
17 non-disclosure, including restrictions for disclosure. The agreement further outlines
18 the requirement to provide notice to Mercer relating to any request to disclose
19 information as a result of legal proceedings so that the other party (i.e., Mercer) has
20 an opportunity to challenge any such legal process. Hydro initiated notice to
21 Mercer of the request from the Board of Commissioners of Public Utilities (PUB) to
22 release the reports. Mercer has formally directed non-disclosure. A copy of their
23 direction to Hydro and stated position is attached in PUB-NLH-029, Attachment 1.

24
25 Hydro has provided the relevant and required information specific to the review of
26 salary and wages and policy changes that affect Hydro related to those reviews in
27 response to CA-NLH-105 (copy of analysis to adjust non-union salaries in 2012) and
28 PUB-NLH-032 (details of incentive plan design).



222 - 3rd Avenue SW, Suite 1200
Calgary, Alberta T2P 0B4
403 476 3246
Fax +1 403 261 6938
kenneth.yung@mercer.com
www.mercer.ca

MEMO

TO: Elaina Janes, HR/LR Lead, Newfoundland and Labrador Hydro
DATE: 14 November 2013
FROM: Kenneth Yung
SUBJECT: Mercer reports and the Board of Commissioners

We understand that Newfoundland and Labrador Hydro ("NLH") has been asked to release the following materials related to the work we did for Nalcor Energy in 2010 and early 2011:

- Engagement letter with Mercer
- Mercer's invoices
- Mercer's reports, including drafts and final versions
- Non-disclosure agreement

We are not comfortable with the release of any of Mercer's reports, correspondence or related work.

We are comfortable with NLH/Nalcor releasing the following:

- Mutual Non-Disclosure Agreement dated 08 December 2010
- Engagement Letter Agreement dated 24 February 2011
- Mercer invoices covering the period from 01 November 2010 through 31 March 2011

We trust you will find the above satisfactory. Should you have any questions in this regard, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth Yung", with a long, sweeping horizontal stroke at the end.

Kenneth Yung, CFA
Principal

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