

1 **Q. Reference: CA-NP-48, p. 2 of 3, footnote 3: states that "Newfoundland Power bases**
2 **its managerial compensation design on market data." Please provide the market**
3 **data referred to for 2006 and 2007 that was used to provide the Average Base**
4 **Increases of 3.6% and 3.6% in each of 2006 and 2007.**

5
6 A. Newfoundland Power uses the services of HayGroup, a management consultancy, to
7 conduct its salary and total cash compensation review for managerial employees. The
8 Company aims to be competitive with Atlantic Canadian utility companies.

9
10 Due to the low number of participants within Atlantic Canada, HayGroup recommends a
11 larger comparator group (i.e., all Canadian utilities) for the review, recognizing that the
12 pay differential for Atlantic Canada is comparable to the 25th percentile of the national
13 market.

14
15 Attachments A and B are the HayGroup market data used to develop Newfoundland
16 Power's salary projections for managerial compensation for 2006 and 2007, respectively.

17
18 The overall forecast national market increase was projected by HayGroup to be 1.8% in
19 2006 and 3.0% in 2007.

20
21 Because the managerial compensation target for Newfoundland Power was forecast to be
22 below the comparative market data (i.e. the 25th percentile) by an average of 4.6% in
23 2006 and 5.5% in 2007, increases above the overall average market data increases were
24 justified in these years to maintain competitive compensation. In addition, *actual* average
25 base increases were affected by individual performance assessments and performance
26 based pay awards.

27
28 Attachment C is a comparison of the Company's managerial compensation to the market
29 data for 2006 and 2007.

Hay Management Data
2006 Forecast

Market Comparison - 2006 Forecast

Base Salary Policy - Projected by 1.8%

Full Point Range	P90		P75		P50		P25		P10		AVG	
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant
134 - 157			114.30	29,516	63.19	32,535	85.36	24,822			68.63	33,758
157 - 186	230.78	25,177	124.60	27,899	64.24	32,369	80.81	25,537	151.17	10,310	150.36	20,926
186 - 219	42.56	60,186	130.37	26,827	195.09	8,032	158.87	11,017	162.29	8,243	119.95	26,563
219 - 258	35.28	61,780	130.15	26,875	55.91	36,511	100.69	23,760	109.57	19,791	78.18	35,731
258 - 301	245.50	7,545	241.00	-1,727	106.90	25,355	110.48	21,231	74.44	28,853	162.78	13,904
301 - 352	168.14	30,828	11.53	67,343	100.97	27,143	108.99	21,683	90.03	24,158	85.86	37,057
352 - 414	25.88	80,905	109.95	32,701	132.70	15,974	89.92	26,396	119.95	13,629	98.05	32,766
414 - 488	0.00	91,620	112.28	31,739	101.26	28,986	87.21	29,515	43.67	45,208	85.16	38,104
488 - 576	107.58	39,119	47.29	63,452	83.11	37,847	80.98	32,557	73.49	30,655	73.71	43,688
576 - 684	100.85	42,993	131.10	15,181	46.19	59,111	54.75	47,665	86.07	23,410	74.28	43,357
684 - 817	75.02	60,668	52.16	69,171	86.49	31,543	66.36	39,722	47.04	50,107	79.85	39,549
817 - 977			36.73	81,778	61.72	51,765	98.11	13,780			76.29	42,461

Total Cash Design - Projected by 1.8%

Full Point Range	P90		P75		P50		P25		P10		AVG	
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant
134 - 157			125.83	27,971	32.00	37,515	-7.43	39,469			62.43	35,995
157 - 186	163.37	40,490	147.61	24,552	148.56	19,215	83.70	25,161	144.49	12,169	161.82	20,391
186 - 219	2.92	70,333	185.00	17,598	136.81	21,402	207.14	2,200	147.45	11,619	122.14	27,771
219 - 258	53.38	59,283	74.65	41,763	78.57	34,154	119.45	21,405	107.44	20,381	86.56	35,564
258 - 301	377.67	-24,382	240.44	-1,009	135.03	19,589	75.83	32,660	100.00	22,300	172.29	13,444
301 - 352	29.79	80,331	84.83	45,828	105.25	28,551	122.89	18,494	115.98	17,490	103.31	34,210
352 - 414	117.51	49,452	96.82	41,608	120.79	23,083	89.58	30,218	104.60	21,498	106.21	33,189
414 - 488	39.93	81,568	121.61	31,346	109.35	27,818	108.75	22,282	81.17	31,199	95.80	37,495
488 - 576	84.39	59,870	107.99	37,993	108.07	26,443	86.08	33,347	66.78	38,216	95.77	37,509
576 - 684	187.92	236	75.90	56,476	90.72	38,436	48.07	55,244	84.74	27,874	97.05	36,779
684 - 817	53.06	92,484	133.02	17,401	80.88	45,164	105.92	15,671	74.36	34,971	98.54	35,749
817 - 977			52.59	83,121	58.46	63,461	66.49	47,887			88.22	44,183

Base Salary Actual - Projected by 2.40%

Full Point Range	P90		P75		P50		P25		P10		AVG	
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant
134 - 157			86.76	35,152	17.95	40,764	45.94	32,403			127.50	25,502
157 - 186	245.79	22,820	230.03	12,659	119.45	24,829	92.00	25,171	212.51	1,279	176.69	17,779
186 - 219	26.21	63,661	100.13	36,820	169.65	15,493	133.03	17,540	89.63	24,135	106.05	30,918
219 - 258	37.45	61,202	97.91	37,306	41.14	43,634	75.33	30,176	82.83	25,625	77.43	37,186
258 - 301	237.88	9,489	184.28	15,025	99.41	28,603	128.60	16,430	73.63	27,999	130.87	23,399
301 - 352	159.40	33,112	48.28	55,958	129.45	19,557	106.21	23,172	74.70	27,676	110.51	29,528
352 - 414	52.37	70,787	139.82	23,739	112.66	25,471	90.35	28,757	89.16	22,585	96.54	34,442
414 - 488	42.23	74,985	96.48	41,678	110.27	26,458	91.70	28,194	82.55	25,319	92.11	36,280
488 - 576	109.27	42,270	69.15	55,014	80.44	41,021	73.02	37,309	87.62	22,046	85.08	39,707
576 - 684	107.63	43,214	89.75	43,149	42.87	62,655	57.61	46,188	69.66	33,194	62.96	52,455
684 - 817	78.22	63,325	55.72	66,434	81.43	36,282	84.57	27,742	46.30	49,174	84.40	37,785
817 - 977			82.85	44,260	52.93	59,567	29.96	72,363			60.15	57,597

Total Cash - Projected by 2.40%

Full Point Range	P90		P75		P50		P25		P10		AVG	
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant
134 - 157			33.94	43,883	42.90	37,421	4.09	39,060			120.38	27,647
157 - 186	179.73	37,062	237.39	11,941	167.81	17,810	128.13	19,585	193.63	4,792	188.57	16,944
186 - 219	-6.80	71,757	141.53	29,772	170.95	17,227	147.36	16,008	101.91	21,852	107.15	32,086
219 - 258	49.00	59,537	121.96	34,057	55.14	42,589	92.82	27,954	91.35	24,164	86.30	36,652
258 - 301	254.32	6,564	132.81	31,258	93.67	32,651	90.11	28,652	89.88	24,545	133.21	24,551
301 - 352	160.77	34,723	117.31	35,922	131.52	21,254	128.14	17,205	75.64	28,828	128.60	25,936
352 - 414	64.02	68,779	146.29	25,723	118.61	25,798	79.28	34,405	116.68	14,380	105.34	34,125
414 - 488	145.61	35,000	76.81	54,486	105.88	31,152	110.90	21,311	72.66	32,608	109.74	32,304
488 - 576	168.58	23,788	118.84	33,979	96.61	35,575	82.12	35,358	72.52	32,678	115.36	29,562
576 - 684	168.51	23,830	67.68	63,445	74.40	48,367	65.64	44,848	96.28	18,991	87.78	45,448
684 - 817	112.86	61,899	164.26	-2,616	79.47	44,904	95.66	24,319	74.08	34,180	116.21	26,002
817 - 977			90.84	57,367	49.85	69,106	52.37	59,689			62.06	70,240

Hay Management Data

2007 Forecast

Base Salary Policy - Projected by 3.0%

Full Point Range	P90		P75		P50		P25		P10		AVG	
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant
134 - 157			-30.43	58,429	-115.49	62,694	-98.50	53,322			30.33	43,010
157 - 186	47.35	56,419	73.98	42,036	154.01	20,383	111.34	20,376	136.85	14,015	99.68	32,123
186 - 219	224.13	23,538	36.08	49,086	34.33	42,642	159.50	11,421	114.90	18,098	83.35	35,160
219 - 258	78.21	55,494	248.08	2,660	116.20	24,713	132.06	17,431	126.77	15,488	146.55	21,320
258 - 301	217.49	19,559	116.01	36,733	165.26	12,051	141.38	15,024	131.83	14,192	156.48	18,758
301 - 352	107.57	52,644	105.05	40,031	87.77	35,383	82.76	32,669	20.37	47,739	77.19	42,624
352 - 414	35.32	78,079	114.65	36,653	127.16	21,514	112.38	22,240	170.18	-4,990	118.20	28,187
414 - 488	38.98	76,566	102.92	41,509	110.17	28,550	66.90	41,071	44.66	46,972	74.13	46,433
488 - 576	116.38	38,791	50.13	67,271	82.93	41,845	89.12	30,231	88.00	25,821	84.51	41,365
576 - 684	69.21	65,960	104.02	36,228	71.17	48,616	79.30	35,885	75.13	33,236	81.08	43,340
684 - 817	112.00	36,687	63.99	63,607	85.48	38,829	83.16	33,239	67.02	38,785	85.59	40,253
817 - 977	164.40	-6,113	95.04	38,240	64.92	55,829	69.19	44,665	40.08	60,796	86.04	39,894

Total Cash Design - Projected by 3.0%

Full Point Range	P90		P75		P50		P25		P10		AVG	
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant
134 - 157			-63.08	65,523	-65.74	56,027	-98.50	53,322			41.15	43,010
157 - 186	43.71	60,880	11.90	53,752	196.02	14,931	175.10	10,367	145.88	13,357	99.01	33,925
186 - 219	109.75	48,598	69.92	42,960	32.39	45,365	167.29	11,818	103.60	21,221	91.07	35,402
219 - 258	183.58	32,429	317.69	-11,302	137.16	22,418	148.87	15,854	122.02	17,186	151.97	22,066
258 - 301	240.82	17,658	101.72	44,419	200.58	6,058	107.03	26,648	131.91	14,635	173.04	16,630
301 - 352	31.63	80,628	162.89	26,006	78.13	42,919	107.65	26,464	77.70	30,951	97.19	39,459
352 - 414	150.44	38,806	116.75	42,248	150.04	17,606	121.09	21,730	137.20	10,010	127.62	28,748
414 - 488	79.15	68,321	77.69	58,419	67.28	51,866	65.00	44,951	68.29	38,537	87.27	45,455
488 - 576	107.53	54,471	143.64	26,235	90.44	40,563	115.67	20,228	96.38	24,828	109.46	34,625
576 - 684	128.59	42,341	93.81	54,935	113.24	27,438	96.94	31,011	91.47	27,653	105.25	37,055
684 - 817	170.22	13,867	129.64	30,429	127.78	17,484	86.13	38,411	77.06	37,508	120.13	26,872
817 - 977	202.91	-12,847	142.93	19,571	105.12	35,999	50.35	67,646	64.59	47,702	99.88	43,414

Base Salary Actual - Projected by 3.5%

Full Point Range	P90		P75		P50		P25		P10		AVG	
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant
134 - 157			-58.46	64,616	14.99	45,440	134.97	21,972			101.95	33,431
157 - 186			74.81	43,694	76.45	35,790	46.25	35,902	114.20	20,002	145.13	26,651
186 - 219	-138.40	101,479	53.69	47,622	131.17	25,613	103.14	25,322	42.70	33,301	44.16	45,432
219 - 258	134.88	41,631	204.82	14,525	118.10	28,473	101.83	25,607	150.43	9,711	137.50	24,990
258 - 301	209.48	22,382	107.70	39,581	64.27	42,362	117.33	21,610	72.03	29,937	125.16	28,173
301 - 352	90.97	58,055	117.87	36,520	118.97	25,895	85.66	31,140	57.48	34,315	84.95	40,275
352 - 414	98.46	55,420	105.34	40,928	120.01	25,532	107.32	23,516	140.14	5,220	118.05	28,626
414 - 488	94.28	57,150	103.57	41,660	113.26	28,325	102.94	25,329	42.68	45,568	96.26	37,648
488 - 576	93.13	57,710	91.33	47,639	94.06	37,697	90.16	31,566	100.36	17,417	90.84	40,292
576 - 684	62.23	75,506	87.22	50,002	56.08	59,577	65.38	45,841	75.86	31,534	74.21	49,870
684 - 817	95.59	52,691	74.97	58,384	68.94	50,772	81.56	34,774	76.51	31,094	78.56	46,900
817 - 977	114.55	37,200	87.04	48,523	82.68	39,555	79.02	36,847	35.82	64,328	83.91	42,521

Total Cash - Projected by 3.5%

Full Point Range	P90		P75		P50		P25		P10		AVG	
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant
134 - 157			114.21	41,479	111.28	32,535	134.97	21,972			143.63	28,024
157 - 186	266.69	26,131	-27.23	63,686	34.66	44,565	71.24	31,979	114.20	20,002	139.05	28,742
186 - 219	-120.30	98,112	105.03	39,084	149.95	23,121	156.61	16,101	73.95	27,489	57.14	43,977
219 - 258	121.67	45,120	218.65	14,202	141.36	25,002	93.36	29,952	132.56	14,654	144.91	24,756
258 - 301	270.47	6,731	112.54	41,581	65.63	44,542	102.05	27,708	76.94	29,003	132.43	27,977
301 - 352	68.03	67,666	130.63	36,134	119.24	28,405	98.71	28,715	60.45	33,967	108.15	35,286
352 - 414	97.26	57,377	141.83	32,191	157.57	14,912	113.57	23,484	169.88	-4,553	131.93	26,914
414 - 488	128.14	44,590	74.17	60,202	119.40	30,714	94.27	31,475	39.46	49,444	102.62	39,047
488 - 576	231.46	-5,829	154.04	21,224	93.32	43,445	122.53	17,682	108.58	15,711	120.27	30,435
576 - 684	139.25	47,285	99.58	52,598	84.84	48,325	72.41	46,552	75.45	34,797	102.20	40,845
684 - 817	136.33	49,277	156.69	13,529	106.73	33,354	70.14	48,108	73.11	36,398	117.15	30,620
817 - 977	185.20	9,353	136.65	29,904	114.55	26,960	84.44	36,423	29.37	72,132	99.66	44,909

**Comparison of the Company's Managerial Compensation
to Market Data**

Table 1
Base Salary Policy - Market Comparison
2006 Forecast

Base Salary Policy - Projected by 1.8%

Full Point Range	P90		P75		P50		P25		P10		AVG		POLICY COMPARISON				
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	Band Points	#	NP Current	Market (P25)	Variance
134 - 157			114.30	29,516	63.19	32,535	85.36	24,822			68.63	33,758	156	1			
157 - 186	230.78	25,177	124.60	27,899	64.24	32,369	80.81	25,537	151.17	10,310	150.36	20,926	193	2	\$38,728	\$41,679	-7.62%
186 - 219	42.56	60,186	130.37	26,827	195.09	8,032	158.87	11,017	162.29	8,243	119.95	26,583	237	3	\$43,708	\$47,624	-8.96%
219 - 258	35.28	61,780	130.15	26,875	55.91	38,511	100.69	23,760	109.57	19,791	78.18	35,731	292	4	\$51,681	\$53,492	-3.50%
258 - 301	245.50	7,545	241.00	-1,727	106.90	25,355	110.48	21,231	74.44	28,853	162.78	13,904					
301 - 352	168.14	30,828	11.53	67,343	100.97	27,143	108.99	21,683	90.03	24,158	85.86	37,057					
352 - 414	25.88	80,905	109.95	32,701	132.70	15,974	89.92	28,396	119.95	13,629	98.05	32,766	359	5	\$58,138	\$60,677	-4.37%
414 - 488	0.00	91,620	112.28	31,739	101.26	28,986	87.21	29,515	43.67	45,208	85.16	38,104	440	6	\$64,820	\$67,888	-4.73%
488 - 576	107.58	39,119	47.29	63,452	83.11	37,847	80.98	32,557	73.49	30,655	73.71	43,688	540	7	\$73,851	\$76,287	-3.30%
576 - 684	100.85	42,993	131.10	15,181	46.19	59,111	54.75	47,665	86.07	23,410	74.28	43,357	662	8	\$82,665	\$83,908	-1.50%
684 - 817	75.02	60,668	52.16	69,171	86.49	31,543	66.36	39,722	47.04	50,107	79.85	39,549	770	9	\$88,171	\$90,822	-3.01%
817 - 977			36.73	81,778	61.72	51,785	98.11	13,780			76.29	42,461					
Average Differential																-4.62%	

Canada
Line Formulae
Utilities Organizations
Market Comparison - 2006 Forecast

Table 2
Base Salary Policy - Market Comparison
2007 Forecast

Base Salary Policy - Projected by 3.0%

Full Point Range	P90		P75		P50		P25		P10		AVG		POLICY COMPARISON				
	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	\$ per Pt.	\$ Constant	Band Points	#	NP Current	Market (P25)	Variance
134 - 157			-30.43	58,429	-115.49	62,694	-98.50	53,322			30.33	43,010					
157 - 186	47.35	56,419	73.98	42,036	154.01	20,383	111.34	20,376	136.85	14,015	99.68	32,123	156	1			
186 - 219	224.13	23,538	36.08	49,086	34.33	42,642	159.50	11,421	114.90	18,098	83.35	35,160	193	2	\$39,890	\$42,204	-5.80%
219 - 258	78.21	55,494	248.08	2,660	116.20	24,713	132.06	17,431	126.77	15,498	146.55	21,320	237	3	\$45,019	\$48,728	-8.24%
258 - 301	217.49	19,559	116.01	36,733	165.28	12,051	141.38	15,024	131.83	14,192	156.48	18,758	292	4	\$53,231	\$56,306	-5.78%
301 - 352	107.57	52,644	105.05	40,031	87.77	35,383	82.76	32,669	20.37	47,739	77.19	42,624					
352 - 414	35.32	78,079	114.65	36,653	127.16	21,514	112.38	22,240	170.18	-4,990	118.20	28,187	359	5	\$59,882	\$62,585	-4.51%
414 - 488	38.98	76,566	102.92	41,509	110.17	28,550	66.90	41,071	44.66	46,972	74.13	46,433	440	6	\$66,765	\$70,506	-5.60%
488 - 576	116.38	38,791	50.13	67,271	82.93	41,845	89.12	30,231	88.00	25,821	84.51	41,365	540	7	\$76,067	\$78,354	-3.01%
576 - 684	69.21	65,960	104.02	36,228	71.17	48,616	79.30	35,885	75.13	33,236	81.08	43,340	662	8	\$85,145	\$88,382	-3.80%
684 - 817	112.00	36,687	63.99	63,607	85.48	38,829	83.16	33,239	67.02	38,785	85.59	40,253	770	9	\$90,816	\$97,274	-7.11%
817 - 977	164.40	-6,113	95.04	38,240	64.92	55,629	69.19	44,665	40.08	60,796	86.04	39,894					
Average Differential																-5.48%	

Canada
Line Formulae
Utilities Organizations
Market Comparison - 2007 Forecast