

Office of the Consumer Advocate

PO Box 23135
Terrace on the Square
St. John's, NL Canada
A1B 4J9

Tel: 709-724-3800
Fax: 709-754-3800

May 8, 2024

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland Power Inc. – 2025-2026 General Rate Application
Requests for Information

Further to the above-captioned, enclosed are the Consumer Advocate's Requests for Information numbered CA-NP-304 to CA-NP-310.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours truly,



Dennis Browne, KC
Consumer Advocate

Encl.
/bb

cc **Newfoundland Power Inc.**
Lindsay Hollett (lholllett@newfoundlandpower.com)
Dominic J. Foley (dfoley@newfoundlandpower.com)
Liam O'Brien, (lobrien@curtisdawe.com)
NP Regulatory (regulatory@newfoundlandpower.com)
Newfoundland & Labrador Hydro
Shirley Walsh (ShirleyWalsh@nlh.nl.ca)
Dan Simmons (daniel.simmons@mcinnescooper.com)
Michael Ladha (michaelladha@nlh.nl.ca)
NLH Regulatory (nlhregulatory@nlh.nl.ca)
Board of Commissioners of Public Utilities
Maureen Greene, KC (mgreene@pub.nl.ca)
Jacqui Glynn (jglynn@pub.nl.ca)
Board General (board@pub.nl.ca)

IBEW Local 1620
Adrienne Ding (ading@odeaearle.ca)
Justin King (jking@odeaearle.ca)
Kyle Rees (krees@odeaearle.ca)
Don Murphy (don@ibew1620.com)

IN THE MATTER OF the *Public Utilities Act*,
R.S.N.L. 1990, Chapter P-47, as amended, (the
“Act”); and

IN THE MATTER OF a General Rate Application
by Newfoundland Power Inc. (“Newfoundland Power”):
to establish customer electricity rates for 2025 and
2026 (the “Application”).

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION
CA-NP-304 to CA-NP-310**

Issued: May 8, 2024

- 1 CA-NP-304 (Reference Executive Compensation Report by Korn-Ferry) It
 2 is stated (page 4) “*As a policy, NFP sets its salary range in +/-*
 3 *15% of the market median.*” Please clarify whether the market
 4 median referred to is ^{based} on the set of 543 organizations in its
 5 database (see page 7), the 390 organizations in the comparator
 6 group (page 7), or some other reference group.
 7
- 8 CA-NP-305 (Reference Executive Compensation Report by Korn-Ferry) It
 9 is stated (page 4) “*Compared to the last review in 2021, we*
 10 *observe that compensation levels for the comparator market*
 11 *have rebounded sharply post-pandemic, surpassing the levels*
 12 *in 2018 generally.*”
 13 a) That statement implies that executive compensation levels
 14 in those businesses must have fallen in order to “rebound”.
 15 Is this correct?
 16 b) During the same period, did executive compensation at
 17 Newfoundland Power fall in a similar pattern? Please
 18 compare that pattern with the comparator group.
 19
- 20 CA-NP-306 (Reference Executive Compensation Report by Korn-Ferry) It
 21 is stated (page 5) “*Each of the four NFP executive positions in*
 22 *scope has been evaluated, and their job evaluation points (i.e.,*
 23 *KF Hay Points)...*”
 24 a) Do Hay points adjust for the market dynamics, (e.g., the
 25 degree of competition, volatility of input prices, volatility of
 26 sales, rapid technological change, diverse ownership with
 27 shares traded in equity markets) in which business
 28 organizations operate?
 29 b) Would not the challenges associated with dynamic market
 30 conditions result in more job pressure on executives with the
 31 same skillsets as executives in organizations in a stable non-
 32 competitive market? And would additional skills be needed to
 33 cope effectively under more dynamic market conditions?
 34
- 35 CA-NP-307 (Reference Executive Compensation Report by Korn-Ferry) It
 36 is stated (page 7) “*In aligning with NFP pay principles, 390*
 37 *Commercial Industrial organizations of the total database*
 38 *have been selected for this review.*”
 39 a) Did Newfoundland Power choose or advise on the selection
 40 of these organizations or were they chosen independently
 41 by Korn-Ferry?

- 1 b) How many of the 390 comparator organizations operate in
 2 a monopoly market with a regulatory regime that ensures a
 3 positive rate of return on equity every year?
 4
- 5 CA-NP-308 (Reference Executive Compensation Report by Korn-Ferry) It
 6 is stated (page 7) "*KF believes that it is reasonable for NFP to*
 7 *compare itself to the list of organizations in Appendix C*
 8 *because...The organizations are comparably classified as*
 9 *"private sector commercial industrial" and NFP competes for*
 10 *its executive resources with organizations across the breadth*
 11 *and depth of business sectors across Canada."*
- 12 a) Does Korn-Ferry have any historical data on the number of
 13 Newfoundland Power executives who have been hired
 14 from, or have left the company to work for, businesses on
 15 its list of comparator organizations? If so, please provide.
- 16 b) Does Korn-Ferry have any data on where Newfoundland
 17 Power executives are recruited from? If so, please provide.
 18 If not, why?
- 19 c) Does Korn-Ferry have any data on where Newfoundland
 20 Power executives go when they leave the company (e.g.,
 21 retirement, to other public utilities, to other Fortis-owned
 22 businesses, to businesses based in Newfoundland and
 23 Labrador, to private-sector companies outside the
 24 province)? If so, please provide. If not, why?
- 25 d) What evidence does Korn-Ferry have that Newfoundland
 26 Power competes for its executives across firms such as
 27 those listed in its comparator group?
 28
- 29 CA-NP-309 (Reference Executive Compensation Report by Korn-Ferry)
 30 How does Newfoundland Power's executive compensation
 31 compare with that of other Canadian privately owned and
 32 Crown owned regulated public utilities?
 33
- 34 CA-NP-310 (Reference Executive Compensation Report by Korn-Ferry) It
 35 is stated (page 4) "*As a policy, NFP sets its salary range in +/-*
 36 *15% of the market median."*
- 37 a) Has Korn-Ferry assessed whether such a policy is
 38 appropriate or did its analysis accept that policy as a given?
- 39 b) Considering the market conditions in which Newfoundland
 40 Power operates, (i.e., a regulated monopoly market that is
 41 stable and low risk) should the appropriate compensation
 42 be in a range much less than the median of the comparator

1
2

group, a group that includes firms that face much higher risks of volatile revenue and even bankruptcy?

DATED at St. John's, Newfoundland and Labrador, this 8th day of May, 2024.

Per:



Dennis Browne, KC

Consumer Advocate

Terrace on the Square, Level 2, PO. Box 23135
St. John's, Newfoundland & Labrador A1B 4J9

Telephone: (709) 724-3800

Telecopier: (709) 754-3800

Email: dbrowne@bfma-law.com