

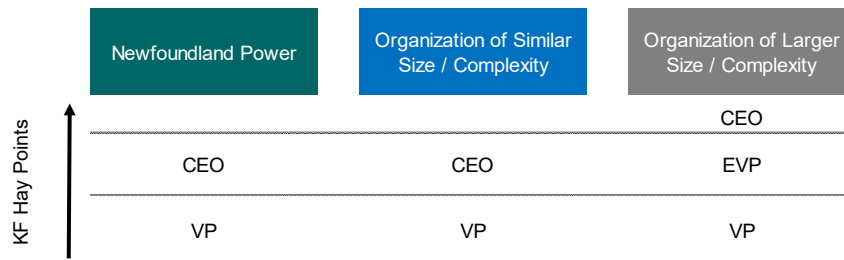
1 **Reference: Korn Ferry Report, sec. 4, p. 7.**

2
 3 **Q. It is stated that Korn Ferry believes that it is reasonable for Newfoundland Power to**
 4 **compare itself to the Commercial Industrial comparator group “...because jobs are**
 5 **compared on a “point adjusted” basis which means they are compared to those of**
 6 **similar overall skill, effort and responsibility, and not necessarily on the basis of**
 7 **“same title”[...].”**

- 8 a) **Please explain what is meant in the report by “point adjusted” basis.**
- 9 b) **Please provide commentary on how the points system would be adjusted, if at**
 10 **all, if a different comparator group was used.**
- 11 c) **If a comparator group with a lower or higher median salary was used, how**
 12 **would the points system apply? And would the points be adjusted? Please**
 13 **explain the impact.**

14
 15 A. a) As the Commercial Industrial comparator group has many organizations that are
 16 larger than Newfoundland Power, compensation comparison based on job title is not
 17 a fair comparison: CEO of an organization with \$10 billion in revenue vs. CEO of
 18 Newfoundland Power.

19
 20 In Korn Ferry’s report, compensation comparisons are conducted based on
 21 comparator jobs of similar Korn Ferry Hay Points (not job title) --- “point adjusted
 22 basis”. For illustrative purposes, this diagram on page 7 of the Korn Ferry Report will
 23 be helpful:



24 In the Korn Ferry Report, the analysis compared Newfoundland Power’s CEO
 25 compensation with the compensation values of all jobs rated at 2128 Korn Ferry Hay
 26 Points among the comparator organizations.

- 27
- 28 b) The points system is applied to Newfoundland Power and the comparator group
 29 consistently. The points system would not be adjusted for different organizations but
 30 would recognize the variations in different organizations. The same principles and
 31 methodologies would be applied to a different comparator for compensation analysis.
- 32
- 33 c) The points system is applied consistently for all participating organizations in the
 34 Korn Ferry database. Different comparator groups might have different median salary
 35 values (relatively either higher or lower) as a function of comparator composition and
 36 characteristics. Comparison is conducted based on compensation values at the same
 37 points across all comparators. Korn Ferry Hay Points does not adjust the
 38 compensation values.