

1 **Section 2: Customer Operations/Operating Costs**

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3 **Q. Volume 1, Section 2, page 2-31, footnote 57. It is stated that Newfoundland Power's**  
4 **weighted labor rate increases are 3.00% in 2022, 2.75% in 2023, 3.80% in 2024**  
5 **4.45% in 2025 (0.75% wage progression) and 4.5% in 2026 (0.75% wage**  
6 **progression).**

7 **a) Please provide a comparison to the annual and compounded compensation**  
8 **increases provided in other Atlantic Canada electric utilities for the same period.**

9 **b) Please provide a breakdown of the annual and compounded increases between**  
10 **union and non-union.**

11 **c) Please provide compensation increases for the Executive group for the same**  
12 **period. Identify bonuses and base salary increases separately.**

13 **d) Please explain why it is reasonable that compensation amounts that have been**  
14 **decided upon by the management of Newfoundland Power are treated as**  
15 **inflation when evaluating productivity.**

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17 **A. a)** Newfoundland Power's forecast weighted labour cost increases from 2022 to 2026  
18 reflect a combination of collectively bargained base wage increases negotiated by the  
19 Company and its union,<sup>1</sup> and forecast progression increases in employee wages as a  
20 result of experience.<sup>2,3</sup>

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22 See part f) of the response to the Request for Information PUB-NP-031 for a  
23 comparison of Newfoundland Power's union compensation increases to other  
24 Atlantic Canadian utilities from 2022 to 2026.<sup>4</sup> The Company does not have access to  
25 comparable information for managerial employees for the other Atlantic Canadian  
26 utilities.

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<sup>1</sup> See the response to Request for Information PUB-NP-031, part b) for details on the Company's Clerical and Craft collective agreements.

<sup>2</sup> Forecast progression for 2023 to 2026 is 0.75%. Newfoundland Power has used an estimate of 0.75% for progression since its 2016/2017 *General Rate Application*. Generally, labour progression represents the additional wage employees receive as they progress through their position. For union employees, labour progression is detailed in the Collective Agreement. For managerial positions, progression typically occurs over a five-year period.

<sup>3</sup> Compensation for managerial employees, as further described in the response to Request for Information PUB-NP-031, part d), is designed to be competitive with reference to relevant labour markets. Forecasts for such labour markets are not available through 2026.

<sup>4</sup> The comparison excludes progression increases as Newfoundland Power does not have access to comparable information for the other Atlantic Canadian utilities. While comparable data is not available, the Company can confirm that progression increases are standard utility practice.

1 Table 1 provides a compounded wage analysis for Newfoundland Power union wages  
2 compared to the other Atlantic Canadian utilities for 2022 to 2026 forecast.

**Table 1:  
Compounded Wage Analysis<sup>5</sup>  
2022 to 2026 Forecast  
(\$)**

	<b>Base Unit</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Newfoundland Power - Clerical <sup>6</sup>	100.0	102.3	104.3	106.9	110.1	113.7
Newfoundland Power - Craft <sup>7</sup>	100.0	104.3	104.3	107.4	111.4	115.9
NL Hydro <sup>8</sup>	100.0	102.0	104.0	108.2	112.5	113.7
Maritime Electric <sup>9</sup>	100.0	102.1	106.2	109.4	112.7	116.9
Nova Scotia Power <sup>10</sup>	100.0	102.0	106.1	110.3	114.7	n/a
NB Power <sup>11</sup>	100.0	101.8	103.3	104.8	n/a	n/a

3 b) Table 2 provides a breakdown of the annual base compensation increases between  
4 union, managerial and executive employees from 2022 to 2026 forecast.

**Table 2:  
Compensation Increases<sup>12</sup>  
2022 to 2026 Forecast  
(%)**

	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Union <sup>13</sup>	2.25	2.00	3.05	3.70	3.75
Managerial	1.75	2.00	3.05	3.70	3.75
Executive	2.40	2.00	3.05	3.70	3.75

<sup>5</sup> The analysis is based on a unit of \$100 and the annual increases outlined the response to the Request for Information PUB-NP-031, part f) for the respective utilities.

<sup>6</sup> Newfoundland Power's Clerical collective agreement is in effect until December 31, 2026.

<sup>7</sup> The Company's Craft tentative collective agreement is proposed to be in effect until December 31, 2026.

<sup>8</sup> Newfoundland and Labrador Hydro's collective agreement is in effect until March 31, 2026.

<sup>9</sup> Maritime Electric's collective agreement is in effect until December 31, 2026.

<sup>10</sup> Nova Scotia Power's collective agreement is in effect until March 31, 2026.

<sup>11</sup> New Brunswick Power's collective agreement is in effect until December 31, 2024.

<sup>12</sup> Excludes increases related to progression which is forecast to be 0.75% each year from 2023 to 2026.

<sup>13</sup> Union wage increases are weighted based on a combination of the Clerical and Craft collective agreements. See the response to Request for Information PUB-NP-031, part b).

1 Table 3 provides the compounded compensation increases for union, managerial and  
2 executive employees from 2022 to 2026 forecast.

**Table 3:  
Compounded Compensation Increases<sup>14</sup>  
2022 to 2026 Forecast  
(\$)**

	<b>Base Unit</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Union	100.0	102.3	104.3	107.5	111.5	115.6
Managerial	100.0	101.8	103.8	107.0	110.9	115.1
Executive	100.0	102.4	104.4	107.6	111.6	115.8

3 c) See part b) for annual base compensation increases for the executive for 2022 to 2026  
4 forecast.

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6 Table 4 provides short-term incentive payments for the executive from 2022 to 2026  
7 forecast.

**Table 4:  
Executive Short-Term Incentive Payments<sup>15</sup>  
2022 to 2026 Forecast  
(\$000s)**

<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
468	479	497	519	542

8 d) Forecast labour increases for 2023 to 2026 are not based on compensation amounts  
9 decided upon by management.<sup>16</sup> Newfoundland Power's forecast labour increases  
10 from 2023 to 2026 are based on collectively bargained base wage increases  
11 negotiated by the Company and its union, and forecast progression increases in  
12 employees' wages as a result of experience.<sup>17</sup>

13  
14 See the response to Request for Information PUB-NP-017 for how the Company  
15 demonstrates labour efficiency.

<sup>14</sup> The increases are based on a unit of \$100 and the annual increases outlined in Table 2.

<sup>15</sup> Excludes the portion of short-term incentives that are non-regulated. The forecast for 2024 to 2026 is based on the Company's weighted-labour inflation rate.

<sup>16</sup> The Company's 2022 actual weighed average labour increase of 3.00% is consistent with the collectively bargained base wage increase of 2.25% and progression of 0.75%.

<sup>17</sup> As provided in part a) to this response, wage progression is part of the Collective Agreement. For example, a Powerline Technician Apprentice will start at 70% of the Tradesperson's rate and over a four-year period, increase to 95% of the Tradesperson's rate. While management has control over non-union progression increases, consistent with union positions, non-union positions progress to 100% of a position's salary as experience is gained. The Company's forecast progression of 0.75% has been consistently applied in Newfoundland Power's last three general rate applications.