

1 **Section 2: Customer Operations/Operating Costs**
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3 **Q. Volume 1, Section 2, page 2-34, lines 9-11. Provide a detailed explanation of**
4 **Newfoundland Power’s short-term incentive and bonus plans, including the eligible**
5 **participants and the criteria for payments. With the response include sample 2024**
6 **short-term incentive performance targets for a director position and an executive**
7 **position.**

8
9 **A. Executive and Directors**

10
11 Newfoundland Power’s Executives and Directors participate in the Company’s
12 short-term incentive (“STI”) plan. The purpose of the STI plan is to motivate senior
13 management to achieve strong annual business performance by making a significant
14 portion of total compensation dependent on performance.

15
16 The STI plan provides for annual cash payments to Executives and Directors, with the
17 amount of each payment determined through an annual assessment of both corporate and
18 individual performance, based on a percentage of salary. Before any payout occurs, the
19 Company’s return on equity must reach a minimum threshold level.

20
21 Payouts are established as percentages of base salary (“target percentage payouts”).
22 Current target percentage payouts are: (i) 50% of base salary for the President and Chief
23 Executive Officer; (ii) 35% of base salary for Vice Presidents; and (iii) 15% of base
24 salary for Directors.

25
26 Payouts are based on performance and may range from a minimum of zero to a maximum
27 of two times the target percentage payout. The Board of Directors reviews and approves
28 all payouts for the Executives, and the Executives review and approve all payouts for the
29 Directors.

30
31 In accordance with the Board’s direction in Order No. P.U. 19 (2003), STI payouts in
32 excess of one times the target percentage payouts are charged to non-regulated expenses.
33 In accordance with Orders No P.U. 18 (2016) and P.U. 3 (2022), 50% of the costs of the
34 STI components for earnings, regulatory performance, and cash flow are also charged to
35 non-regulated expenses.

36
37 The relative weighting of corporate and individual performance targets reflects the ability
38 of individual employees to influence corporate performance, as is shown in Table 1.

Table 1:
Relative Weightings of Corporate and Individual Targets (%)

	Corporate	Individual
President and Chief Executive Officer	70	30
Vice Presidents	70	30
Directors	50	50

1 Corporate performance is assessed based on the Company’s performance relative to
2 weighted targets, which are set by the Company’s Board of Directors. The targets and
3 weightings are modified annually to reflect changes in corporate focus and priority, and
4 to encourage continual improvement. The minimum threshold for corporate performance
5 is 50%; no payout occurs if the Company’s performance is below the minimum
6 threshold.

7
8 In addition to corporate measures, the STI plan incorporates measures that are intended to
9 encourage improvements in individual performance. These measures are aligned with the
10 specific focus of the Executive or Director, and are designed to promote leadership in
11 enhancing employee and corporate performance in specific areas of responsibility,
12 thereby contributing to the overall performance of the Company. Individual measures and
13 weightings are adjusted annually to reflect corporate priorities.

14
15 Attachment A provides the corporate STI performance targets for 2024.

16
17 Attachment B is a sample of the individual STI performance targets for an executive
18 position (President and Chief Executive Officer individual targets for 2024).

19
20 Attachment C is a sample of the individual STI performance targets for a director
21 position (Director, St. John’s Region individual targets for 2024).

22
23 **Managerial Employees**

24
25 Newfoundland Power’s other managerial employees do not participate in the Company’s
26 STI plan. These employees are compensated through a pay-for-performance
27 compensation system which includes both a salary progression component and an annual
28 cash compensation component.

29
30 The Company’s pay-for-performance system is designed to encourage and reward
31 employees based on their individual performance including technical competency,
32 execution and self-development. The annual cash compensation is paid in the year in
33 which the recognition of performance is attributable. Target percentage payouts vary
34 depending on the employee’s compensation band level and range from a maximum of
35 4.5% for Band 2 to a maximum of 9% for Band 9.

36
37 **Unionized Employees**

38
39 Newfoundland Power’s unionized employees are not eligible to participate in the
40 Company’s STI plan or the Company’s pay-for-performance compensation system.

2024 Corporate STI Performance Targets

2024 Corporate STI Performance Targets

Category	Measure	Minimum (50%)	Target (100%)	Stretch (150%)	Maximum (200%)	Weight
Financial	Earnings	\$46.7M	\$49.2M	\$51.7M	\$52.9M	30%
	Controllable Operating Cost per Customer	\$278.6	\$270.5	\$266.4	\$262.4	10%
Safety	All Injury Frequency Rate (AIFR)	1.12	0.56	0.28	0.00	12%
	Quality Leading Indicators	86.8%	91.8%	94.3%	96.8%	8%
Reliability	Outage Duration Index (SAIDI)	3.09	2.69	2.49	2.29	15%
Customer Satisfaction	% of Satisfied Customers as measured by Customer Satisfaction Survey	84.9%	86.9%	87.9%	88.9%	15%
Regulatory	Regulatory Performance	Subjective	Subjective	Subjective	Subjective	10%
Total						100%

**Sample of the Individual STI Performance Targets
For an Executive Position**

**President and Chief Executive Officer
2024**

Category	Target	Payout			
		Weight	50%	100%	200%
Stakeholder Relations	Provide leadership with a customer focus on matters related to the electricity sector.	40%	Subjective	Subjective	Subjective
Financial Results	Provide leadership in delivery of financial results, including delivery of the 2024 capital plan.	15%	Subjective with minimum earnings of \$46.7M	Subjective with minimum earnings of \$49.2M	Subjective with minimum earnings of \$52.9M
Safety	Provide leadership in enhancing employee, contractor and public safety (with consideration of injury frequency rate and reduction of high potential incidents).	15%	Subjective	Subjective	Subjective
Reliability & Customer Service	Enhance service to, and maintain reliability for, customers.	15%	Subjective	Subjective	Subjective
People Leadership	Focus on succession of the leadership team. Promote and foster a people culture to increase employee engagement.	15%	Subjective	Subjective	Subjective

**Sample of the Individual STI Performance Targets
for a Director Position**

**Director, St. John's Region
2024 Individual Targets**

<p>Ensure efficient use of resources and operational technologies to increase workforce productivity, with a focus on reducing operating costs.</p> <p>Deliver on reliability targets, while responding safely and effectively to outage events. Improve vegetation conditions on right of ways to reduce tree related outages.</p> <p>Advance the T&D asset management program and deliver on T&D inspection and maintenance plan.</p>	<p>Provide leadership in safety with a focus on the prevention of injuries and exposure to high energy incidents.</p> <p>Enhance contractor safety management practices through alignment with 2024 safety objective, targets and programs.</p> <p>Complete safety training plan and ensure high quality completion of job safety plans and incident investigations.</p>	<p>Deliver 2024 capital program and projects on time and within budget.</p> <p>Lead five-year capital plan development for the Region with a focus on maintaining reliability, climate change adaptation, and grid modernization for increased efficiency.</p> <p>Implement plan to reduce risk of oil spills from pad-mount transformers, including improvements to inspection and maintenance practices, design standards and retrofits of existing units to contain or prevent leaks.</p>	<p>Provide leadership in employee engagement. Foster a respectful workplace with a focus on diversity, equity and inclusion.</p> <p>Promote a culture of service excellence to enhance overall customer experience.</p> <p>Deliver on line supervisor capacity building, with a focus on productivity in line operations and enhancing the safety and work quality.</p>	<p>Foster a culture of innovation through contributions to business development and evaluation of new technologies.</p> <p>Lead management of Company transportation fleet, with a focus on heavy fleet requirements, availability to support crew productivity, and cost management.</p> <p>Assess and evaluate opportunities to reduce vehicle emissions through an anti-idling program for heavy fleet and cost-effectively integrating electric vehicles in the Company fleet.</p>
30%	20%	20%	15%	15%