Q. Further to the response to PUB-NP-009:

a) Please explain why Quality Leading Indicators were added to the Corporate Performance Measures in 2023 and explain the criteria used to evaluate this measure.

b) Please explain why Cash Flow from Operating Activities was removed from the Corporate Performance measures in 2024.

A. a) Managing and measuring safety performance at Newfoundland Power is done using a combination of lagging and leading indicators.

Lagging indicators reflect past performance and are useful for charting progress over time. All injury frequency rate ("AIFR"), a lagging indicator, has historically been the Company's primary measure of safety performance. The use of AIFR, and similar metrics such as total recordable incident rate ("TRIR"), is common in the industry as these metrics are highly standardized and can be consistently applied across utilities. The Edison Electric Institute has recognized certain limitations with TRIR (and, by extension, AIFR), including that it focuses on safety as the absence of injuries, instead of the modern understanding of safety as the presence of safeguards.[1] In addition, lagging indicators are not predictive.

In order to balance the limitations of lagging indicators, utility best practice has been moving toward the use of leading safety indicators. As defined by Electricity Canada, leading indicators are proactive, preventive, and predictive measures that provide information about the effective performance of a utility's health and safety activities.[2] Leading indicators provide an opportunity to learn and build resilience in safety practices before someone gets injured.

Prior to 2023, AIFR was the only safety-related corporate performance measure used in the Company's short-term incentive ("STI") plan. In 2023, the Company introduced quality leading indicators as a STI target, in addition to AIFR. The combination of leading and lagging safety indicators measures safety outcomes, as well as the existence of conditions that are likely to encourage future favorable outcomes. Electricity Canada has recognized the use of leading and lagging indicators together as providing a more complete picture of the factors affecting safety performance than they do separately.[3]

The Company's quality leading indicators performance measure is made up of two metrics, weighted equally: (i) quality of incident investigations; and (ii) quality of job safety planning.

Quality of incident investigations is measured through an internal review of the Company's incident investigations. The Company's Senior Management Incident

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[1] See Edison Electric Institute, *Severity-Based Lagging Indicator: Making the Best of Our Injury Data*, January 2023, pages 1-2.

[2] See Electricity Canada (n.d.). Leading Indicators. Retrieved March 20, 2024 from https://www.electricity.ca/knowledge-centre/safety-security/occupational-health-safety/leading-indicators/.

[3] Ibid.

Review Committee reviews investigation documentation and grades investigations against the Company's established guidelines for incident investigations. Each investigation is given a score, the average of which is used to produce the annual incident investigation result for the year.

Quality of job safety planning is measured through the review of a sample of the Company's e-tailboards and written tailboards ("tailboards"). The Company's Risk Management Job Safety Planning Committee ("RMJSPC") reviews a sample of all pre-job safety planning activities each quarter, which includes all operating areas. The RMJSPC reviews each selected tailboard against the Company's framework which outlines all required components of a tailboard. Each selected tailboard is scored against the framework and the scores are averaged over each quarter, and annually, to produce the annual job safety planning result for the year.

b) In 2019, cash flow from operating activities was added as a corporate performance measure as part of the Company's STI plan. Cash flow from operating activities, before working capital adjustments, is a key financial metric used by credit rating agencies in assessing the Company's creditworthiness. This STI target measured actual cash flow results compared to the Company's budget.

From 2019 to 2023, cash flow from operating activities fluctuated, largely due to the operation of the Energy Supply Cost Variance Clause and the current wholesale rate structure.[4] These fluctuations were largely outside of management's control. Targets that are largely outside the control of management are not effective in incenting performance. As a result, this corporate performance measure was removed in 2024.

[4] See the Company's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3*, page 3-44, footnote 113.