

- 1 **Q. Further to the response to PUB-NP-029:**
2 **a) Newfoundland Power states it does not have access to information on**
3 **compensation increases given by Atlantic Canadian utilities to managerial**
4 **employees for the period 2022-2026. What information does Newfoundland**
5 **Power have on compensation increases given to or forecast for managerial**
6 **employees in Atlantic Canada, Canada and Newfoundland and Labrador for**
7 **any year in the period 2022-2026?**
8 **b) Please explain how Newfoundland Power determined the appropriate level of**
9 **compensation increases for managerial and non-union employees if it did not**
10 **have data on wage adjustments by or forecast for other employers or industries**
11 **during the period 2022-2026.**
12 **c) Table 2 provided the compensation increases for 2022 and forecast 2023-2026.**
13 **Please explain why the increases were different in 2022 among the categories of**
14 **employees listed but are forecast to be the same in the 2023 to 2026 forecasts.**
15 **d) Please explain the rationale for executive base salaries and bonuses increasing at**
16 **the same percentages as the union employees on a go forward basis.**

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18 **A. a)** As stated in part d) of the response to Request for Information PUB-NP-031,
19 managerial compensation is designed to be competitive with reference to relevant
20 labour markets. Salary increases are dependent on changes in the employment
21 market, as well as on individual performance. Salary changes for managerial
22 employees are normally effective on January 1st annually and include a base
23 compensation increase, as well as progression increases for some employees as a
24 result of experience.

25
26 To determine base increases in managerial compensation each year, in the fall
27 Newfoundland Power compiles market data from compensation consultants.¹ This
28 market data includes compensation increases given, or forecast, for managerial
29 employees in Atlantic Canada, Canada and Newfoundland and Labrador. The
30 Company uses this data in preparing its managerial compensation reports. See, for
31 example, managerial compensation reports for 2022 to 2024, which are provided in
32 the response to Request for Information PUB-NP-031, Attachment A. These reports
33 were the basis of the Company's compensation increases for managerial employees
34 for 2022 to 2024.

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36 Periodically, Newfoundland Power engages a compensation consultant to complete a
37 detailed market assessment, the purpose of which is to assess the competitiveness of
38 the Company's managerial compensation to ensure alignment with market best
39 practices. Market assessment results and preliminary recommendations from the most
40 recent review are also provided in the response to Request for Information
41 PUB-NP-031, Attachment A.

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43 Newfoundland Power does not have similar market data or compensation reports for
44 2025 and 2026 forecast. The Company's compensation consultants are not aware of

¹ For example, annual compensation surveys are completed by various compensation consultants for non-unionized employees, which include projected increases for the next calendar year.

1 any consulting firm or survey provider that provides projected salary increases for
2 more than a year.

3
4 Newfoundland Power's workforce comprises both union and non-union employees.
5 Wages for union employees are determined through collective bargaining
6 negotiations between the Company and the International Brotherhood of Electrical
7 Workers, Local 1620 and generally result in multi-year collective agreements.² As
8 such, the collective agreements provide details about known and measurable changes
9 in union wages through 2026.

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11 Since forecast compensation increases are not available beyond one year for
12 non-union employees, Newfoundland Power's weighted labour inflation rate based on
13 negotiated union wage rates is the best available estimate to forecast overall labour
14 costs.³ Accordingly, for forecast purposes, the Company uses a single weighted
15 labour inflation rate to forecast overall labour costs for 2023 through 2026.⁴

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17 In Newfoundland Power's view, this is reasonable given that the Company's base
18 compensation increases for managerial employees over the past decade have closely
19 aligned with union wage increases.⁵ In addition, the use of a single weighted labour
20 inflation rate is also consistent with the Company's past practice for test year
21 forecasts included in previous general rate applications.⁶ Further, the nature of certain
22 managerial positions (e.g. supervisors of trades) requires consideration of union
23 wages when establishing managerial compensation due to wage compression.

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25 b) See part a) of this response.

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27 c) In Table 2 of the response to Request for Information PUB-NP-029, data for 2022
28 reflects actual compensation increases for union, managerial and executive
29 employees, which differs slightly among the different groups. As detailed in part d) of
30 the response to Request for Information PUB-NP-031, compensation for non-union,
31 or managerial employees, is designed to be competitive with reference to relevant
32 labour markets. As such, from year to year there may be differences in compensation
33 increases among the different groups of employees.

² See part b) of the response to Request for Information PUB-NP-031 for further details.

³ See Newfoundland Power's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2, Customer Operations*, page 2-31, footnote 57. This reflects a combination of collectively bargained base wage increases agreed to between the Company and its union and forecast progression increases in employees' wages as a result of experience.

⁴ See also the response to Request for Information PUB-NP-137.

⁵ For example, since 2015, in half of the years managerial and union base wages increases were the same and in four years they were different by +/- 0.5% or less. For 2023, the actual base compensation increase for managerial and clerical union employees was 2%. The tentative agreement for craft union employees includes a 2% increase, however, the increase is retroactive to July 1, 2022. For 2024, the actual base compensation increase was 3% for managerial employees and 2.5% for clerical union employees. The tentative agreement for craft union employees includes a 3% increase.

⁶ The Company has been consistent with forecasting its test year labour costs in this manner for more than two decades. See the response to Request for Information PUB-NP-137, footnote 9.

1 For forecast purposes, however, the Company uses a single weighted labour inflation
2 rate to forecast overall labour costs for 2023 through 2026. For further information,
3 see part a) of this response.

4
5 d) See part a) of this response.