

1 **Q. Further to the response to PUB-NP-031, please explain why the median salary paid**
2 **by Canadian Commercial Industrial companies was selected as the benchmark for**
3 **executive and director salary policy. In the response state when this benchmark was**
4 **first set, when it was last reviewed, how many utilities in Canada use this as a**
5 **benchmark and how many companies in Newfoundland and Labrador use this as a**
6 **benchmark for their compensation policy.**

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8 A. Newfoundland Power first adopted the broad Canadian Commercial Industrial (“CCI”)
9 comparator group as the basis for executive and director (then, manager) salary policy in
10 1997.¹ The appropriateness of the use of this market to establish executive and director
11 salary policy for the Company was first considered by the Board in 1998. This included
12 the use of the median level of the CCI comparator group as the basis of executive and
13 director salary policy. At that time, the Board accepted the Company’s senior
14 management compensation as reasonable.²

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16 Since 1998, Newfoundland Power has consistently used the median of the CCI
17 comparator group as the basis of executive and director salary policy. The Board has
18 accepted the use of the CCI comparator group as the basis for the Company’s executive
19 compensation policy since that time.³

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21 Newfoundland Power relies on the advice of its compensation consultant, Korn Ferry, to
22 determine the appropriate comparator group for the Company. Korn Ferry provides
23 recommendations on base salaries for executives and directors annually, and completes
24 more detailed reviews of the Company’s compensation practices from time to time.⁴

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26 The comparator group for Newfoundland Power executive compensation was examined
27 by the Board as part of the Company’s *2016/2017 General Rate Application*. The expert
28 evidence of Korn Ferry (formerly Hay Group Limited) in that proceeding was that:

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30 *“NF Power sets its pay standards relative to market Median/P50, which Hay*
31 *Group believes is reasonable because:*

- 32
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- 34 • *As a utility it is appropriate to compare to the standard of a broad market*
35 *place as opposed to only comparing against the higher or lower paying*
36 *sectors; and*
 - 37 • *NF Power incorporates performance considerations in its determination of*
38 *incumbent-specific salary and bonus values, such that higher performers will*
39 *be appropriately paid above market standards (i.e., above P50), while those*
40 *who have not yet proven themselves may not be fully paid to market standards*
(i.e., below P50).”

¹ The Korn Ferry database of CCI companies is used. This comparator group includes organizations from the energy, mining and manufacturing sectors but does not include organizations in the financial service and broader public sectors.

² See Order No. P.U. 36 (1998-99), page 41.

³ See Order No. P.U. 18 (2016), page 43, lines 1-2.

⁴ For example, Korn Ferry reviewed director compensation in January 2023. See Attachment B to the response to Request for Information PUB-NP-031.

1 The Company intends to file expert evidence from its compensation consultant in
2 accordance with the schedule set by the Board for the filing of expert reports.

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4 The Company does not have information as to how many other utilities in Canada use the
5 CCI comparator group or what other companies in Newfoundland and Labrador may use
6 as a benchmark for their compensation policies.