

1 Q. (Section 2: Regulated Activities, p. 2.18, lines 6-8)

2 Please provide a copy of the analysis of non-union salaries relied upon to adjust
3 non-union salary scales in 2012.

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6 A. In line with Hydro's goal to ensure competitive positioning to attract and retain the
7 staff required to ensure the continued delivery of safe and reliable electricity to
8 customers, Mercer (Hydro's compensation consultant) was engaged in late 2010 to
9 complete a comprehensive review of policies and structures relating to non-union
10 compensation. Mercer's review included an analysis of how Hydro's compensation
11 compares to that of other Atlantic Canadian utilities. The review found that Hydro
12 was lagging behind for Hay scales 11 to 18. The salary lag detected for these scales
13 was in addition to a 4% economic adjustment.

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15 Hydro's non-union salary policy, effective April 1, 2012, included a 4% general
16 economic increase (applied to both union and non-union scales) and an additional
17 adjustment to non-union scales in Hay Grades 11 to 18 as is reflected in Table 1 was
18 approved. Increases in performance contract (short-term incentive) targets for
19 eligible senior managers from 6% to ten or 15%, depending on Hay level, were also
20 implemented. The changes were conservative relative to Mercer's recommendation
21 to expand the group of people eligible for incentive as well as to set a higher
22 percentage target for the performance contract than what was implemented by
23 Hydro.

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Table 1

Adjustment above General Increase

Pay Grade	Applicable Percentage Increase
HAY 11	1.3%
HAY 12	3.6%
HAY 13	5.4%
HAY 14	6.7%
HAY 15	7.3%
HAY 16	7.9%
HAY 17	7.6%
HAY 18	7.1%

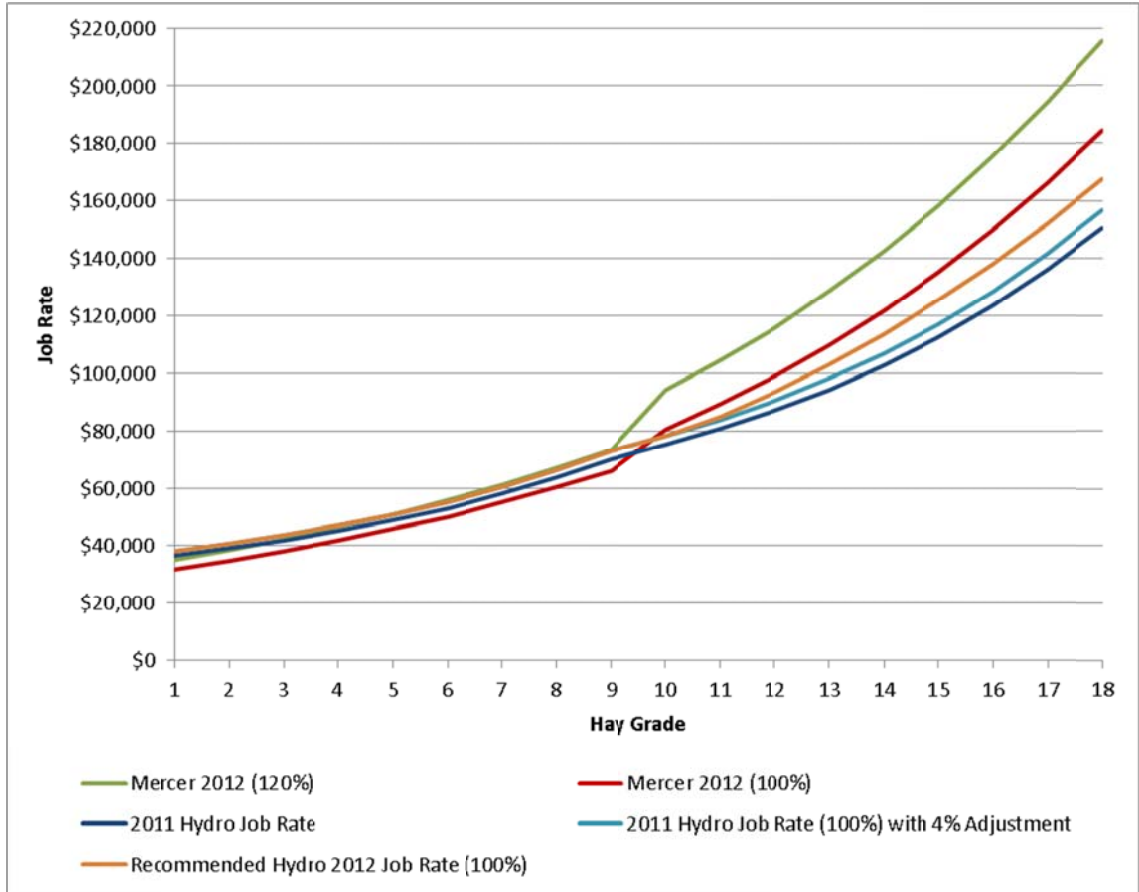
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The adjustment was a conservative approach that did help to improve Hydro's competitive positioning with other Atlantic Canada utilities for these salary grades. Even after the adjustments, Hydro still remains below the Mercer recommendations for the higher grade positions. Hydro will continue to review its compensation relative to the labour markets where it competes for qualified employees, including the Atlantic Canada utilities.

Chart 1 depicts the 2012 Salary Analysis by Hay Grade and the subsequent recommendation adopted by Hydro to close the gap based on Mercer's review. As reflected in the chart, Mercer further recommended increasing the range within each salary grade so that individuals could be paid as high as 120% of the job rate for any given position. CA-NLH-105 Attachment 1 provides additional detail relating to Chart 1.

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Chart 1
2012 Salary Analysis by Hay Grade



Note: 100% job rate represents the midpoint in a salary range.

2012 Salary Analysis by Hay Grade and Recommended Job Rate

Hay Grade ¹	Mercer 2012 (120%)	Mercer 2012 (100%) ²	2011 Hydro Job Rate	2011 Hydro Job Rate (100%) ² with 4% ³ Adjustment	Recommended Hydro 2012 Job Rate (100%)	Adjustment over General Increase ⁴
5	\$50,856	\$45,760	\$48,950	\$50,908	\$50,900	0.0%
6	\$55,744	\$50,128	\$53,000	\$55,120	\$55,100	0.0%
7	\$61,152	\$55,016	\$58,150	\$60,476	\$60,500	0.0%
8	\$66,976	\$60,320	\$63,750	\$66,300	\$66,300	0.0%
9	\$73,320	\$66,040	\$70,200	\$73,008	\$73,000	0.0%
10	\$94,224	\$80,496	\$75,200	\$78,208	\$78,200	0.0%
11	\$104,416	\$89,232	\$80,650	\$83,876	\$84,950	1.3%
12	\$115,856	\$99,008	\$87,000	\$90,480	\$93,600	3.6%
13	\$128,544	\$109,824	\$94,300	\$98,072	\$103,150	5.4%
14	\$142,480	\$121,784	\$102,700	\$106,808	\$113,650	6.7%
15	\$158,080	\$135,096	\$112,500	\$117,000	\$125,200	7.3%
16	\$175,344	\$149,864	\$123,350	\$128,284	\$138,000	7.9%
17	\$194,480	\$166,192	\$136,250	\$141,700	\$152,050	7.6%
18	\$215,696	\$184,392	\$150,750	\$156,780	\$167,550	7.1%

Notes:

- Hydro currently has no positions below Hay Grade 5.
- 100% represents the typical midpoint of a salary range. Hydro's current practice is to set its maximum policy at 100%.
- 4% was applied to all Hay Grade levels as a general economic wage increase.
- An additional adjustment was required for Hay Grades 11 to 18 to reduce the gap relative to market and ensure competitiveness.