Q. **Reference: Volume 1, page 2.23 and 2.24 and Volume 2, Exhibit 6**

Hydro states (lines 17 to 18 and 22 to 24 of page 2.23) “Hydro targets 50th percentile as the competitive position within its comparator market…Southea found that the appropriate comparator group for Hydro is other Canadian utilities, including government-owned and investor-owned utilities…” Hydro states (lines 13 to 21 pf page 2.24) “To address survey outcomes and start to realign its position with its comparator market, Hydro increased its compensation levels, administering economic increases of 4% in 2024 and 4% in 2025…Hydro continued to be approximately 11% below the 50th percentile target at the end of 2025…Hydro has forecast modest salary adjustments though its 2027 Test Year that are required to close the gap with Atlantic Canadian utility comparators…”

a) Clarify if the prior comparator group that Hydro has used for its compensation policy is Atlantic Canadian utilities.

b) Explain if Hydro has adopted the Southea recommendation to change the comparator group to other Canadian utilities or not.

c) Provide the timeframe over which Hydro plans to target a 50% percentile of either the prior/current comparator group or the new comparator group.

d) Provide a quantification of the overall cost of the 4% economic increases in 2024 and 2025.

e) Provide the economic increases forecast by Hydro for 2026 and 2027 and quantify the overall cost impacts of these increases. (e) Describe and quantify the cost implications of full implementation of the Southea recommendation for the 2027 Test Year and for the years 2028 to 2030.

f) Explain if and how Hydro has factored the projected revenue requirement and rate increase impacts of the Muskrat Falls Project into its compensation approach for the 2024 to 2030 timeframe.

A. **a)** In 2017–2018, Newfoundland and Labrador Hydro ("Hydro") retained Korn Ferry Hay Group ("KFHG") to provide compensation consulting services and conduct a comprehensive market review. At the time, a wage freeze was in place (implemented in 2016 and continued through to 2022), and Hydro wanted to confirm its appropriate comparator market. As part of the review, KFHG identified a comparator group, entitled the Selected Utilities market, comprising 19 Canadian utility companies, as the most appropriate primary comparator group. A 5% Atlantic regional adjustment was applied to the market data to reflect local labour market conditions, with the Canadian all-industrial market used as a secondary reference for additional context. Prior to the 2017 KFHG review, Hydro used the General Industry comparator group.

b) In line with the recommendations of the KFHG and Southlea Group LP reviews, Hydro continues to utilize Canadian utilities, including a combination of government-owned and investor-owned utilities with an Atlantic differential applied, as its comparator group.

c) Please refer to Hydro's response to NP-NLH-031 of this proceeding.

d) In 2024,[1] the 4% economic increase resulted in a cost increase of approximately $1.5 million. In 2025,[2] the cost increase was $1.6 million.

e) As Hydro is currently negotiating with its unions, releasing any assumption concerning economic adjustments proposed in the 2026 General Rate Application could compromise this process.

f) Hydro continues to be appropriately prudent in administering compensation adjustments, recognizing its role as a Crown utility and the need to balance cost with attraction and retention of talent. Utility competitive compensation is necessary to attract and retain employees with the key skills required to meet Hydro's statutory obligations for reliable, least-cost service to customers. Hydro must balance labour costs with the risks of inadequate resources affecting safety, reliability, and employee engagement.

[1] Data is based on annual salary effective January 1, 2024; includes non-union, regulated employees only.
[2] Data is based on annual salary effective January 1, 2025; includes non-union, regulated employees only.