

1 **Q. Page 1-5, lines 9-13: Please provide for each group the average annual wage/salary**
 2 **increase given or forecast for union, non-union and executive employees for the**
 3 **period 2016-2020F.**

4
 5 **A. A. General**

6 Newfoundland Power's compensation design differs for unionized and non-unionized
 7 employees. Non-union (managerial) compensation is determined with reference to
 8 external market comparisons and individual performance considerations. Wages for
 9 unionized employees, on the other hand, are established through a collective bargaining
 10 process.

11
 12 **B. Unionized Employees**

13 The collective agreements for the Craft and Clerical bargaining units expired on
 14 September 30, 2017. The collective bargaining process is ongoing between the Company
 15 and the union. Table 1 presents the schedule of negotiated wage increases provided in
 16 the signed collective agreements, as well as the latest offer to the union. In addition to a
 17 base increase, some employees are entitled to progression increases. The average
 18 progression increase for unionized employees is also detailed in Table 1.

Table 1
Union Employees
Wage Increases 2016 to 2020F
 (%)

Effective Date	Base Increase	Progression Increase
January 1, 2016	2.50	0.77
January 1, 2017	2.50	0.74
October 1, 2017 ¹	1.00	0.75
January 1, 2019 ¹	1.00	0.75
January 1, 2020 ¹	1.25	0.75

19 **C. Managerial Employees**

20 Newfoundland Power's managerial compensation system is designed to be competitive
 21 with reference to relevant labour markets. Salary increases are dependent on changes in
 22 the employment market, as well as on individual performance. Salary changes are
 23 normally effective January 1 annually.

¹ Labour cost increases reflect the Company's latest offer to the union.

1 Table 2 provides the base salary increases and progression for the managerial employee
2 group for the period 2016 to 2020F. In addition to a base increase, some management
3 employees are entitled to progression or merit increases. The average progression/merit
4 increase for managerial employees is detailed in Table 2.

Table 2
Managerial Employees
Wage Increases 2016 to 2020F
(%)

Year	Base Increase	Progression Increase
2016	2.50	0.85
2017	1.50	0.99
2018F	1.00	0.75
2019F	1.00	0.75
2020F	1.25	0.75

5 **D. Executives and Directors**

6 The Company sets its Director and Executive group salary policy to be competitive
7 against the median of salary paid by Canadian Commercial Industrial companies.

8
9 Table 3 provides the base salary increase and progression increase for the Executive and
10 Directors for the period 2016 to 2020F.
11

Table 3
Executive and Directors
Wage Increases 2016 to 2020F
(%)

Year	Base Increase Executive & Directors	<u>Progression Increase</u>	
		Executive	Directors
2016	2.40	2.95 ²	0.21
2017	2.20	(0.70) ³	(2.56) ⁴
2018F	1.00	0.75	0.75
2019F	1.00	0.75	0.75
2020F	1.25	0.75	0.75

² Reflects the Vice President, Operations and Engineering and Chief Operating Officer.

³ Reflects a change in the CEO and CFO positions.

⁴ Reflects salary differential between a retiring Director and a new Director.

1 Newfoundland Power's actual labour costs are expected to increase at an average annual
2 rate of 1.7% from 2015 to 2020F. This is lower than the Company's weighted average
3 labour rate inflation of approximately 2.4%.⁵

⁵ See the response to Request for Information PUB-NP-007.