

Q. Provide details of the salary/wage increases, including bonuses and performance pay, granted to union and non-union employees for the period 1998 to 2002 and those forecast for 2003 & 2004 (Exhibit EAL-2).

A. Newfoundland Power's compensation design differs for unionized and non-unionized employees. Non-union (managerial) compensation, including incentive compensation, is determined with reference to external market comparisons and individual performance considerations. Wages for unionized employees, on the other hand, are established through a collective bargaining process. For the period requested, Newfoundland Power's unionized employees' wages do not include an incentive component.

Unionized Employees

Collective agreements for the Craft and Clerical bargaining units were signed in April 1999 and are effective for the period October 1, 1998 to September 30, 2003. Table 1 presents the schedule of negotiated wage increases provided for in those agreements.

Table 1 Union Increases 1998 – 2003	
Effective Date	Increase¹
October 1, 1998	4%
January 1, 2000	3%
January 1, 2001	2%
January 1, 2002	3%
January 1, 2003	4%

¹ In addition to the base increases outlined, an additional adjustment of 2% was applied to hourly wages in journeyman classifications and for lead hands in the line, electrical maintenance, mechanical maintenance and mechanic groups on January 1, 1999, and January 1, 2000. These adjustments were applied to bring the Company's wage levels into line with the Atlantic Canada market for these skilled trades.

Engineering, Professional and other Managerial Employees

Newfoundland Power's pay-for-performance compensation system is designed to encourage and reward employees based on their individual performance and to be competitive with reference to external labour markets. Compensation levels for engineering, professional and other managerial employees below the level of Manager are designed to be competitive with the median of salaries paid by Atlantic Canadian utility and communication companies. Salary increases are dependent on changes in this employment market, as well as on individual performance. Salary changes are effective January 1 and merit compensation is paid in the year to which the recognition of performance is attributable. Table 2 provides the average salary increase expressed as a percentage and the average merit compensation expressed as a percentage of average

salary for the engineering, professional and managerial employee group for the period 1998 to 2002 and for forecast 2003 and 2004.

Table 2 Engineering, Professional and Managerial Employee Salary Increases and Merit Compensation (Percentage)		
Year	Base Increase¹	Merit Payout (% of Salary)
1998	1.2	1.8
1999	5.2	2.8
2000	3.6	3.1
2001	4.6	3.1
2002	4.0	3.1
2003	4.2	3.0 ²
2004 ³	3.0	3.0 ²

¹ Percentage increase is calculated based on total year-end salaries.

² The 2003 bonus payout is forecast at 3% for the managerial group.

³ Newfoundland Power bases its managerial compensation design on market data. Accurate market projections are not yet available for 2004. The 2004 forecast for the engineering, professional and managerial group is based on a 3% salary increase and a 3% merit payout.

Executives and Managers

The Company sets its Manager and Executive Group salary policy and bonus targets to be competitive against the median of salaries paid by Canadian industrial companies. Actual salaries and short-term incentive (STI) compensation payouts are dependent on both corporate and individual performance components.

STI performance targets reflect the influence that individual Executives and Managers can have on overall corporate performance as well as on specific corporate measures, with targets for Executives weighted more heavily towards achievement of overall corporate objectives. Incentive compensation represents a larger portion of overall compensation for these two groups, reflecting the relative ability of Executives and Managers to influence corporate performance.

Year over year changes in Executive salary and STI are outlined in the Company's response to Request for Information CA-347.

Year over year changes in Managers salary and STI are shown in the Company's response to Request for Information CA-469.