Q. **Reference: Volume I, Section 2.2.4 and Volume 2, Exhibit 6, Issue Topic: Operating Efficiencies**

Please explain the impact of both a primary reference and a secondary reference had on the market review, including whether the secondary reference had any direct impact on compensation recommendations or whether the secondary reference was used for contextual validation only. As part of the response, please show how the reported 50th percentile / median values were calculated, including whether they were based on the primary comparator group alone or on any blended or weighted combination of the primary and secondary reference groups. If blended, please provide the percentage weighting attributed to each.

A. At the request of the Government of Newfoundland and Labrador,[1] Newfoundland and Labrador Hydro ("Hydro") engaged Southlea Group LP ("Southlea") to conduct an independent, third-party comprehensive assessment to determine the appropriate comparator for non-union total remuneration[2] within a Crown-owned utility.

Based on its assessment, Southlea concluded that the primary comparator group for Hydro is other Canadian utility companies, including a combination of government-owned and investor-owned utilities. The market data from this primary comparator group was adjusted using a market differential (5%) to reflect the Atlantic Canadian labour market. This recommendation was informed by Southlea's extensive consulting experience with Canadian utilities.

Southlea also considered a secondary reference group consisting of Canadian industrial companies to provide additional market context. However, the secondary reference group did not form the basis of any compensation recommendations because it included organizations outside the utility sector and therefore did not appropriately reflect the industry in which Hydro operates. Accordingly, the secondary reference group was used solely for contextual validation

[1] Government of Newfoundland and Labrador, *Order in Council OC2023-201*, August 28, 2023.
[2] As defined in Southlea's Total Compensation Program Review, Total Remuneration = Target Total Direct Compensation + Benefits + Pension. Please refer to "2026 General Rate Application," Newfoundland and Labrador Hydro, May 27, 2026, vol. II, exh. 6.

of the primary market analysis and had no direct impact on compensation recommendations. Therefore, the reported 50th percentile (median) market values were calculated using the primary comparator group only, with the Atlantic differential applied, and there was no blending or weighting of data from the primary and secondary reference groups.