

1 Q. Please provide details of any variable compensation schemes that are
2 available to Hydro personnel. As part of the reply, please address the basis
3 for determining an employee's entitlement to compensation under such
4 arrangements.

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7 A. The only variable compensation paid to Hydro employees is that paid under
8 its short-term incentive plan to executive employees and their direct report
9 managers at or above pay group 15 on the corporation's salary grid for non-
10 union employees. Under their employment contracts, members of the
11 executive team are eligible for a bonus of up to 20% of their base salary, all
12 others are eligible for a bonus of up to 9%. In both cases, performance
13 would have to exceed target performance in several areas in order for the
14 maximum bonus to be achieved. As stated in CA 8 NLH, forecast
15 performance pay is excluded from the 2007 Test Year revenue requirement.
16 All performance contracts contain the same corporate targets related to:
17 safety; controllable costs; capital program performance; generation
18 availability; transmission reliability; and growth in new business areas. All
19 contracts also contain a standard format for documenting key divisional/
20 departmental targets, with demonstrated links to Hydro's corporate plan. The
21 performance contracts for members of Hydro's leadership team also contain
22 personal targets and objectives.

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24 The President/CEO is eligible for an incentive bonus of up to 25% of his base
25 salary.