

1 Q. On page 19 of the report entitled *Strategic and Business Planning Processes*
2 *for Newfoundland and Labrador Hydro* dated December 2004, it is stated that
3 components of the incentive plan each year are coordinated by Human
4 Resources and approved by Hydro's Board of Directors. It goes on to state that
5 approximately 20 executive, senior managers and directors participate in the
6 incentive plan. What is the current status of the incentive plan? Is there a plan to
7 offer the incentive program to lower level employees so that all Hydro
8 employees have incentive to work toward achievement of the strategic goals
9 and KPIs?

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12 A. A continuation of this incentive plan was approved by the corporation's Board
13 of Directors in 2006. The basic format of the program is the same as in prior
14 years, however there are a greater number of corporate and divisional/
15 departmental indicators, and they are linked more strongly with the targets
16 and objectives contained in Hydro's 2006 corporate plan. The program
17 continues to be limited to executive personnel and their direct reports, but the
18 number of employees participating has increased due to the fact that the
19 number of direct reports increased (from 20 to 30). At present, any forecast
20 performance pay is not included in the 2007 regulated revenue requirement.

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22 Both the structure and scope of Hydro's incentive compensation program is
23 being reviewed in 2006. In the course of this review, the merit of expanding
24 the eligibility for incentives or other merit-based compensation arrangements
25 linked to performance at the individual, divisional, and/or corporate level will
26 be addressed.