

1 Q. **2013 General Rate Application, Workforce**

2 Does Hydro have a bonus or incentive payment plan for any employees? If yes,
3 provide details of such plan.

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6 A. Hydro provides an incentive compensation plan in the form of a performance
7 contract to its senior management team and as part of a competitive compensation
8 offering.¹ The incentive opportunity is designed to influence performance in key
9 areas that drive business success. Key performance indicators are reviewed
10 annually and include a combination of corporate and divisional elements specific to
11 the applicable line of business (e.g., Hydro).

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13 ***Incentive Payment Plan (Performance Contracts)***

14 *Eligibility*

15 Eligibility is based on status as a senior leader in the organization. This is formally
16 determined by job evaluation points - Hay Grades 15 and reporting directly to an
17 Executive member or Hay Grades 16 and above.

18

19 *Basic Design*

20 The amount of variable pay as a percentage of total compensation is reflective of
21 level within the organization. Performance contracts include corporate and
22 divisional performance elements (which are more specific to the relevant line of
23 business). These are weighted at 30% and 70% of target, respectively. There is

¹ Hydro uses a cash lump sum component for non-union employees who do not participate in a performance contract. These are merit-based, re-earnable cash payments for employees who exceed expectations relative to individual performance measures and who are at or above 100% of their job rate. Hydro does not consider this to be a formal incentive payment plan but rather a part of its salary administration.

opportunity to achieve above target on each performance measurement; however, the maximum payout is capped at the overall target amount. Payments are calculated as a percentage of base pay. A summary of the key design components is reflected in Table 1.

Table 1**Summary of Performance Contract Design**

Organization Level	Target ¹ Payout as a % of Base
Executive	20%
Senior Management Hay Grade 17 and 18	15%
Senior Management Hay Grade 15 ² and Grade 16	10%
Notes: 1. Threshold and opportunity are $\pm 5\%$ on all specific measurements; however, the maximum payout is capped at the total target amount. 2. This includes only Hay Grade 15 Senior Managers who report directly to an Executive member.	

Corporate and Divisional Components***Corporate Component***

Corporate measures are based on key business drivers that influence business results. Table 2 outlines the corporate categories set for 2013 and their respective weighting. While these are typical categories, they are subject to change for any given year based on the focus of the business.

Table 2**Corporate Component Categories and Weightings**

Category	Percentage Weighting (Total 30%)
Safety	6.00%
Financial	6.00%
Environment	4.50%
Oil and Gas	3.75%
Lower Churchill Project	3.75%
Project Execution	3.00%
Asset Management	3.00%

1 *Divisional Component*

2 The divisional component is made up of measures specific to the relevant line of
3 business (e.g., Hydro). Performance indicators within the divisional component
4 include:

- 5 • *Safety:* a combination of divisional safety performance measures and an
6 individual safety (FELT) leadership indicator; and
- 7 • *Primary and Secondary Goals:* reflective of the divisional and/or
8 departmental work plan for the specific line of business. Typically for Hydro
9 regulated operations measures include reliability, financial performance,
10 and asset management.