

1 Q. Further to the response to PUB-NLH-304, provide the rationale for the inclusion of
2 short term incentive payments of \$224,564 in the 2013 Test Year Revenue
3 Requirement given that such payments were not previously included in Hydro's
4 costs recovered from customers.

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7 A. The short-term incentive payments and re-earnable cash payments are a part of
8 employees' overall compensation package. These incentives are employment costs
9 Hydro incurs to attract, motivate, and retain employees and are provided to
10 influence performance in key areas that contribute to business success. Please see
11 Hydro's response to PUB-NLH-032. Hydro believes that these payments are
12 appropriately included in the salaries and benefits cost category as part of Hydro's
13 overall compensation offering as a recoverable operating expense.